KEEP A TIGHT REIN

Annual Report 2012

For the fiscal year ended March 31, 2012

Creating Future

Leopalace21

PROFILE

Leopalace21 has established a unique business model fusing two core businesses, a Construction Business, which involves constructing apartments aimed mainly at single persons, and a Leasing Business, which involves performing the superintendence of apartments after they are built.

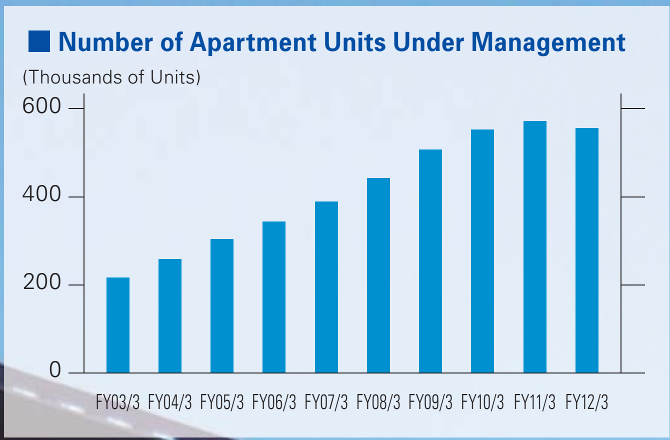
We also operate a Hotels & Resort Business and Elderly Care & other Businesses, making Leopalace21 a one-stop provider of a wide range of real estate services. Currently, with domestic rental housing demand on the decline, Leopalace21 is proceeding with apartment construction on an optimal scale based on an area strategy while also starting to receive orders for elderly care facilities as well as offices and commercial facilities. At the same time, by strengthening the profitability of the Leasing Business, Leopalace21 is moving forward with establishment of a stock-based business model capable of generating stable profits from our stock of existing apartments ("stock").

CONTENTS

Forward-looking Statements

Statements made in this annual report with respect to plans, strategies and future performance that are not historical facts are forward-looking statements involving risks and uncertainties. Leopalace21 cautions that a number of factors could cause actual results to differ materially from such statements including, but not limited to, general economic conditions in Leopalace21's markets; demand for, and competitive pricing pressure on, Leopalace21's products in the marketplace; Leopalace21's ability to continue to win acceptance for its products in these highly-competitive markets; and movements of currency exchange rates.

Leopalace21's Competitive Advantage



Since the launch of Leopalace21 urban apartments in 1985, we have steadily built up the number of units we manage. We currently boast some 560,000 managed units across Japan, with most being studio-type housing aimed at single persons. Since they are mainly used by students and single employees living on their own, as well as for short-term stays such as business trips, approximately half of the leases are for corporate use as company housing or dormitories.

Number of Apartment Units Under Management

556,207 units

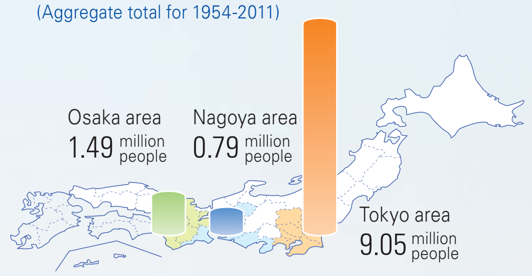
(In 2012, ranked #2 in Japan for number of apartment units under management)

Source: "Shunkan Zenkoku Chintai Jutaku Shinbun," a weekly newspaper for leased housing in Japan

Leopalace21's managed properties are concentrated in three metropolitan areas, which account for about 70% of all the company's properties; 36% in the Tokyo area, 16% in the Nagoya area, and 14% in the Osaka area. We maintain high occupancy rates by concentrating our managed properties in areas where large numbers of people gather, especially these three metropolitan areas, which continue to have a population influx.

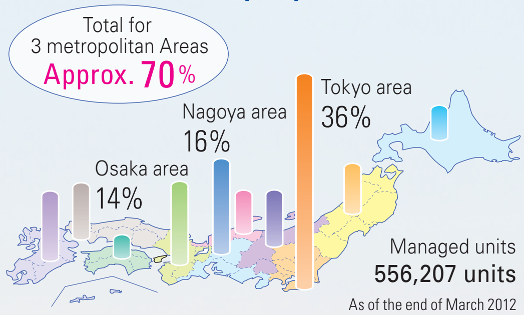
Population Influx Numbers for Three Metropolitan Areas

(Aggregate total for 1954-2011)



Ministry of Internal Affairs and Communications, Annual Report on the Internal Migration in Japan Derived from the Basic Resident Registers (published April 26, 2012)

Proportion of Managed Properties, Nationwide and by Key Area



As of the end of March 2012

Proportion of Properties by Area

Total for 3 Metropolitan Areas

Approx. 70%

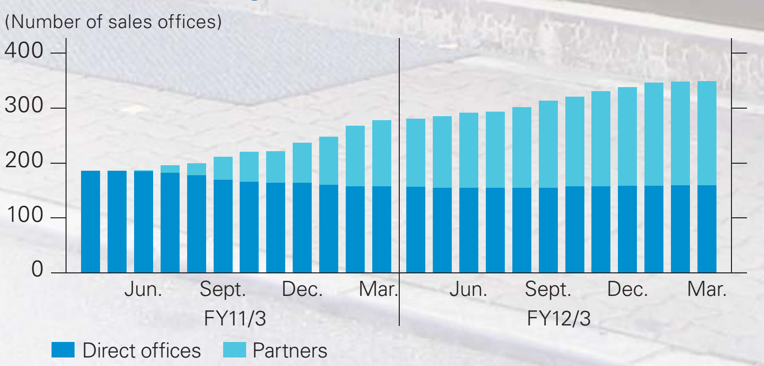
New Channel Strategy

190 sales offices

(Number of Leopalace Partners Franchise Sales Offices)

The Leopalace Partners franchise system was started in June 2010 as a new channel for increasing tenants, and as of the end of March 2012, the number of franchise sales offices had grown rapidly to 190. Through the introduction of this system, we conduct to improve occupancy rates by having more outlets for attracting customers and reduce our expenses by curtailing the growth of direct offices.

Domestic Leasing Sales Offices



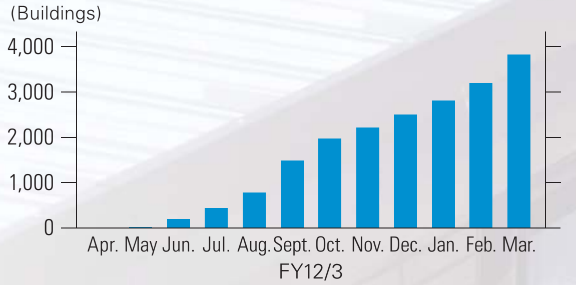
Measures to Enhance Property Value

Photovoltaic power generation systems

3,825 buildings

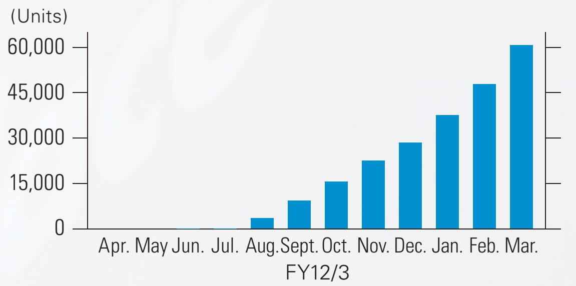
(Installation rate: 18.6%)

Installation of Photovoltaic Power Generation Systems (Cumulative)



To improve occupancy rates, the rental properties themselves must be appealing. For the purpose of meeting tenants' needs and creating a number of "preferred" properties (the "properties of choice" for renters), we are moving forward with the introduction of high added-value amenities, such as apartment security systems that ensure security and safety 24 hours a day, 365 days a year and photovoltaic power generation systems that address environmental security and safety issues.

Installation of Apartment Security Systems (Cumulative)



Measures to Enhance Property Value

Security Systems

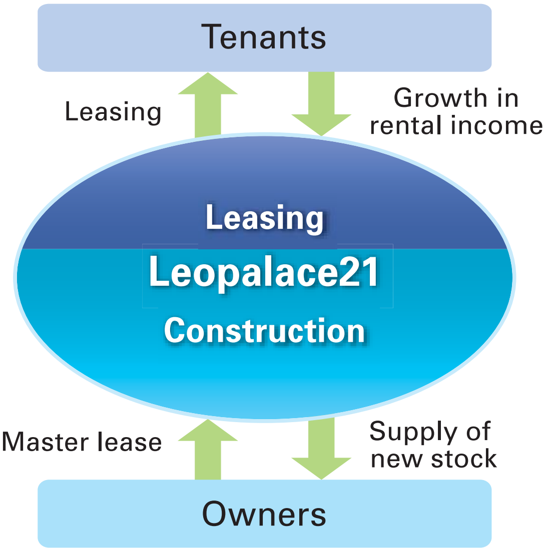
60,667 units

(Installation rate: 10.9%)

BUSINESS MODEL TRANSITION

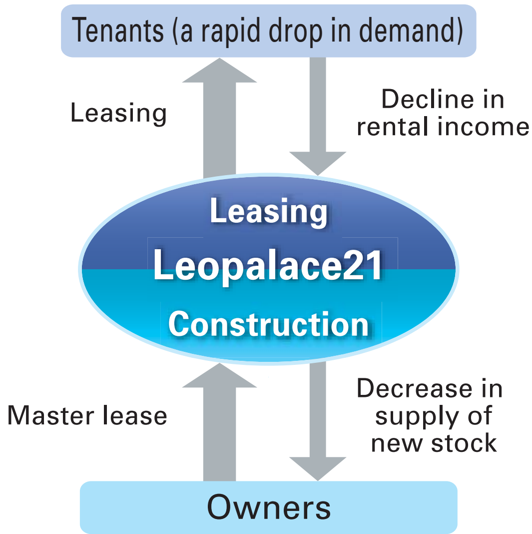
Traditional Business Model

Earnings Enhancement Cycle



In a period of returning to growth after the bubble's collapse, there was increased demand for apartments aimed at housing for job transferees (living away from their families) and company dormitories. While continuing to steadily meet this need, we substantially increased the new supply of stock and grew our Construction Business by addressing the concerns of landowners worried about vacancy risk through the introduction of a "Master Lease System." Our Leasing Business was also supported by healthy growth in corporate demand, enabling us to achieve both an increase in rental income and growth in the number of apartments leased. During this period, we realized an "Earnings Enhancement Cycle," in which our entire business was led by the Construction Business as our main business, but which also led to growth in our Leasing Business.

Earnings Deterioration Cycle



As a result of the rise in the unemployment rate across Japan due to the financial crisis triggered by the collapse of Lehman Brothers in 2008, there was also a downturn in apartment demand. At Leopalace21 as well, there was a series of tenant departures centering on properties under leasing agreement with corporations, leading to a reduction in rental income and a decline in Leasing Business profits. In addition, the financial crisis, which brought about more stringent loan screening at financial institutions, prompted us to curtail the supply of master lease system apartments to improve occupancy rates and caused a decline in the number of orders received in our Construction Business. We fell into an "Earnings Deterioration Cycle," in which there was a shrinking of our Construction Business linked to the decline in our Leasing Business profits triggered by the decrease in tenants.

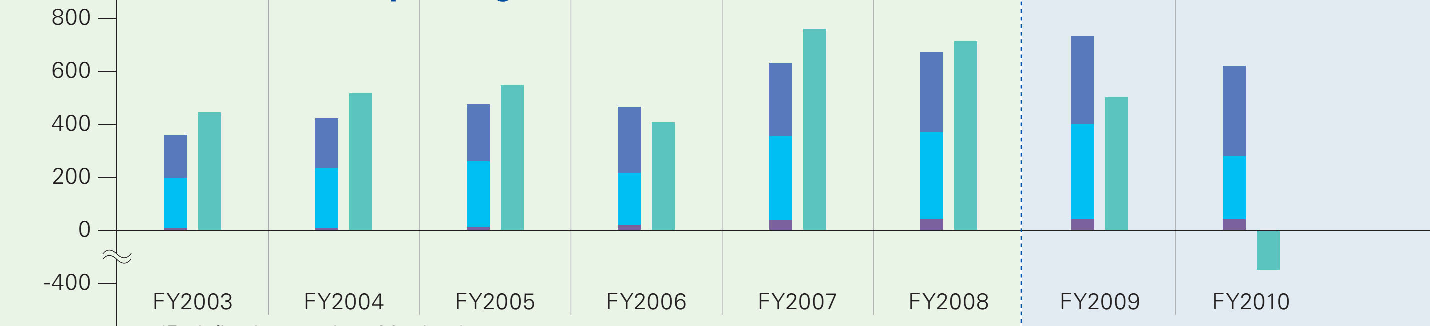
"Master Lease System*" master leases up to 30 years, the initial **"10-year"** fixed rent renewable every two years afterward

▼ Macro-Environment and Business Performance Trends

Period of Returning to Growth
(Before the collapse of Lehman Brothers in 2008)
Construction and Leasing Businesses: Full-scale Operation of Synergy Model

Period of Global Recession
(Post-Lehman Collapse)
Stagnation of Synergy Model

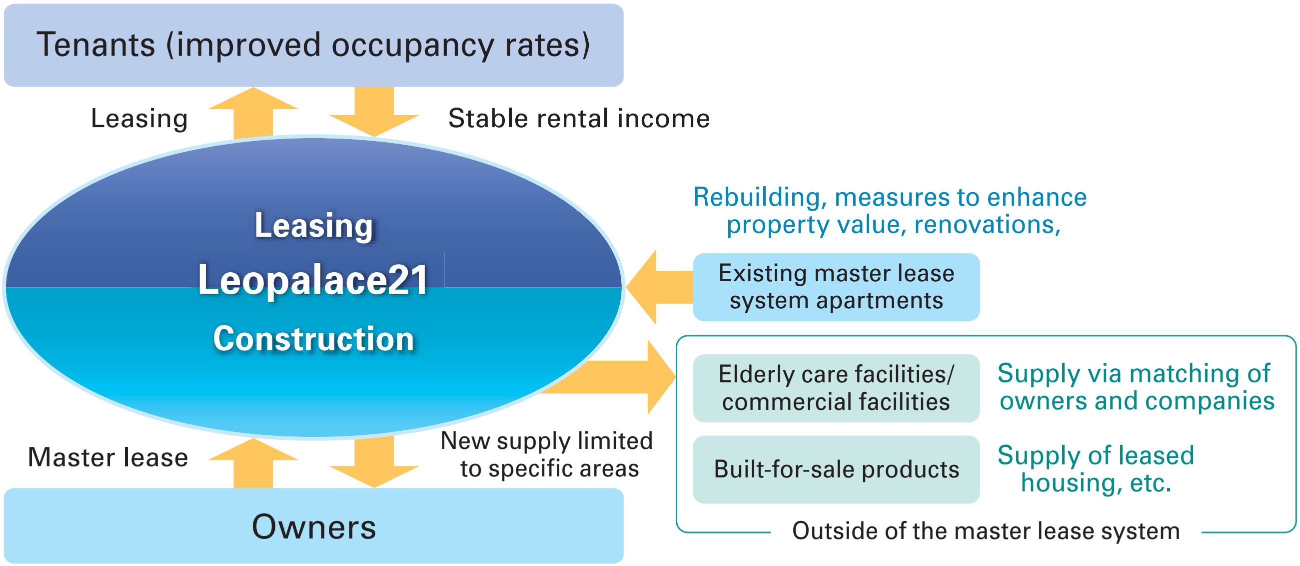
Net Sales and Operating Income



(Each fiscal year ends on March 31)

Future Business Model

Earnings Stabilization Cycle



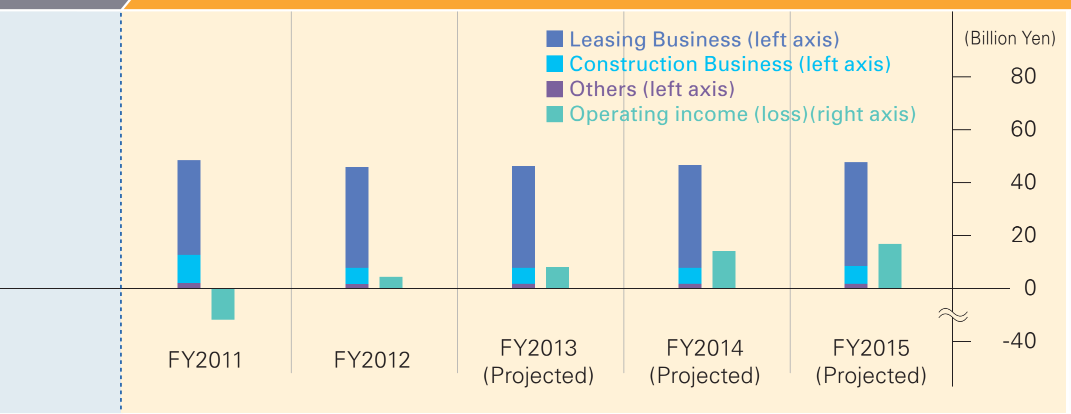
Looking at the current macro-environment, while there is little hope of an overall recovery in apartment demand given the unclear economic outlook, there are signs of recovery when it comes to demand in popular areas and demand for properties with high added value. Amid this environment, we intend to expand the number of orders received for our Construction Business by limiting new supply to specific areas and by incorporating ahead of their time ancillary equipment, such as apartment security and photovoltaic power generation systems, as standard features. At the same time, we are aiming to improve our Leasing Business profits by securing stable rental income based on high occupancy rates achieved by offering more appealing apartments. In our Construction Business, over and above these measures, we will also work to increase orders for elderly care facilities and commercial facilities through the matching of owners and companies. We are also moving toward the realization of an "Earnings Stabilization Cycle" in future, whereby stable earnings can be anticipated in both our Construction Business and Leasing Business.

"Master Lease System" master leases up to 30 years, the initial **"2-year"** fixed rent renewable every two years afterward

*Master Lease System: Leopalace21 leases the entire building from the owner after apartment construction

Period of Economic Recovery
(The Present and Onward)

Comprehensive Enhancement of Earnings from Stock



Targets for Final Year of New Medium-Term Management Plan
(Period Ending March 2015)

- **Net sales**
  ¥476.5 billion
- **Operating income**
  ¥16.9 billion
- **ROE**
  20.0 %

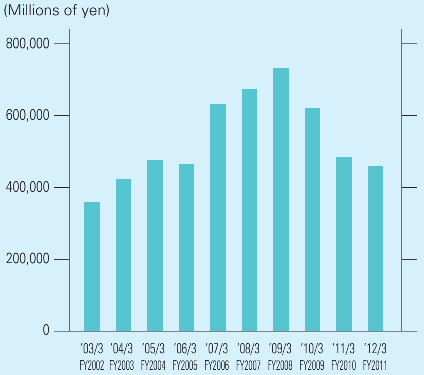
*For details, please see the "Special Feature" on p.16.

TEN-YEAR CONSOLIDATED FINANCIAL HIGHLIGHTS

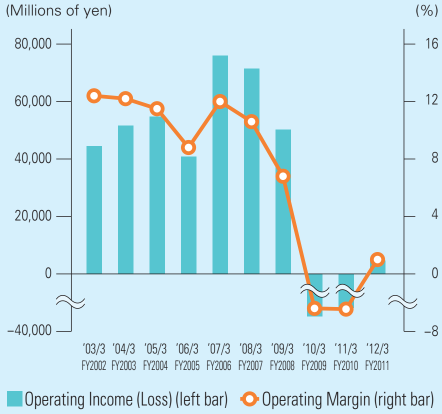
For the years ended March 31 (Millions of yen)	'03/3 FY2002	'04/3 FY2003	'05/3 FY2004	'06/3 FY2005
Net sales	¥ 360,368	¥ 422,224	¥ 476,266	¥ 465,386
Leasing business	162,766	188,863	216,590	249,695
Construction business	190,216	225,011	248,032	195,202
Hotels & resort business	5,927	5,759	7,281	8,339
Elderly care business & other businesses	1,458	2,590	4,361	12,149
Cost of sales	268,856	313,084	357,546	353,928
Selling, general and administrative expenses	46,986	57,468	64,038	70,683
Operating income (loss)	44,525	51,670	54,682	40,775
Leasing business	9,404	7,428	7,243	8,079
Construction business	41,484	54,153	57,051	39,452
Hotels & resort business	(2,736)	(3,849)	(3,928)	(2,667)
Elderly care business & other businesses	(1,235)	(3,516)	(2,640)	(393)
EBITDA	49,232	56,922	60,538	45,340
Net income (loss)	20,464	20,960	33,262	(16,582)
At year-end:				
Total assets	¥ 410,340	¥ 421,163	¥ 453,434	¥ 412,803
Net assets	68,308	81,419	149,798	133,622
Interest-bearing debt	183,047	162,665	108,786	64,513
Cash flow:				
Cash flow from operations	¥ 26,422	¥ 35,032	¥ 40,348	¥ 56,971
Cash flow from investing	(20,958)	(13,363)	(8,978)	(11,266)
Cash flow from financing	(1,010)	(30,129)	(20,959)	(47,946)
Free cash flow	5,464	21,669	31,370	45,705
Amounts per share: (Yen)				
Net assets	¥ 492.06	¥ 585.82	¥ 941.06	¥ 839.44
Net income (loss)	160.56	150.91	220.79	(104.17)
Cash dividend	15.00	15.00	15.00	15.00
Ratio:				
Equity ratio (%)	16.6	19.3	33.0	32.4
Return on equity (ROE) (%)	35.8	28.0	28.8	(11.7)
Return on assets (ROA) (%)	5.2	5.0	7.6	(3.8)
Payout ratio (%)	9.3	9.9	6.8	—
Debt/equity ratio (%)	2.7	2.0	0.7	0.5
Number of employees	4,385	5,702	6,457	6,868

(Notes) 1. The amounts of net assets for the fiscal years ended March 31, 2004, 2005, and 2006 represent the value of total shareholders' equity of each year-end, and do not include minority interests.
2. EBITDA = Operating income + depreciation
3. Return on equity (ROE) = Net income/average net assets during the fiscal year x 100
4. Return on assets (ROA) = Net income/average total assets during the fiscal year x 100
5. Debt/equity ratio = Interest-bearing debt/ (net assets - minority interests)

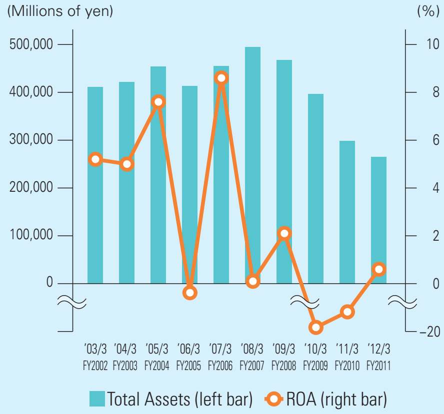
Net Sales



Operating Income (Loss)/ Operating Margin



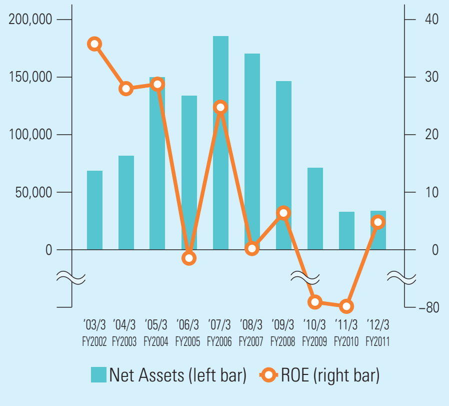
Total Assets/ ROA



'07/3 FY2006	'08/3 FY2007	'09/3 FY2008	'10/3 FY2009	'11/3 FY2010	**'12/3 FY2011**
¥ 631,608	¥ 672,973	¥ 733,235	¥ 620,376	¥ 484,390	**¥ 459,436**
277,163	302,731	334,560	342,316	356,606	**380,307**
316,117	327,540	359,154	237,062	107,821	**62,913**
7,140	6,071	5,610	6,734	6,491	**6,228**
31,187	36,629	33,908	34,263	13,472	**9,987**
474,713	511,053	589,833	570,749	448,392	**403,572**
80,887	90,516	93,244	79,354	59,605	**51,278**
76,007	71,402	50,156	(29,727)	(23,607)	**4,585**
7,031	3,036	(1,538)	(47,875)	(30,094)	**5,248**
74,614	73,267	70,112	29,744	11,971	**4,309**
(2,628)	(1,116)	(805)	(1,324)	(1,974)	**(1,663)**
1,091	645	(12,829)	(6,776)	(1,222)	**(892)**
80,566	76,565	55,939	(23,432)	(17,155)	**10,632**
37,358	342	9,951	(79,075)	(40,889)	**1,588**
¥ 454,819	¥ 493,956	¥ 467,300	¥ 396,511	¥ 298,274	**¥ 264,783**
185,784	170,155	146,442	70,979	33,040	**33,831**
53,159	49,710	44,188	61,318	43,858	**51,654**
¥ 63,308	¥ 11,745	¥ 62,843	¥ (12,990)	¥ (28,337)	**¥ (3,174)**
(15,930)	148	(10,048)	(8,889)	13,143	**(3,537)**
(17,018)	(26,779)	(33,885)	15,281	(15,890)	**7,245**
47,378	11,893	52,794	(21,879)	(15,193)	**(6,712)**
¥ 1,054.99	¥ 1,036.43	¥ 967.40	¥ 466.76	¥ 195.91	**¥ 199.73**
234.68	2.15	63.54	(521.91)	(261.03)	**9.40**
50.00	80.00	30.00	—	—	**—**
37.0	33.4	31.3	17.9	11.1	**12.8**
24.8	0.2	6.4	(72.8)	(78.7)	**4.8**
8.6	0.1	2.1	(18.3)	(11.8)	**0.6**
21.3	3,720.9	47.2	—	—	**—**
0.3	0.3	0.3	0.9	1.3	**1.5**
7,409	8,678	9,926	8,582	7,114	**6,165**

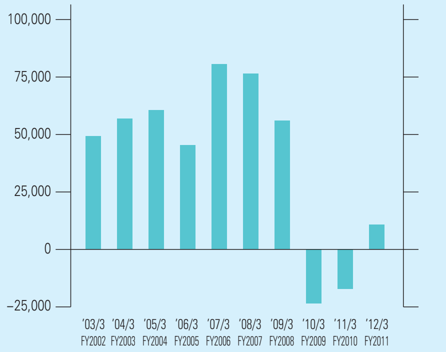
Net Assets/ ROE

(Millions of yen) (%)



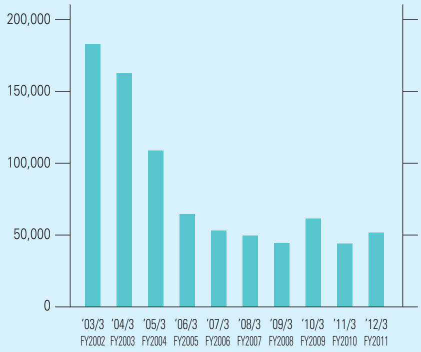
EBITDA

(Millions of yen)



Interest-bearing Debt

(Millions of yen)



TO OUR STAKEHOLDERS

Pushing ahead with thorough reform of our business restructure

Against the backdrop of an unclear economic outlook, the business environment has been difficult for the housing-related industry, including Leopalace21. However, by shifting our focus toward our Leasing Business and proceeding with the reform of our business structure, we have achieved a return to profitability. Going forward, we will push ahead with further reforms and implement a growth strategy with the aim of meeting the objectives stated in our new Medium-term Management Plan.

In the fiscal year ended March 2012 (fiscal 2011), an uncertain economic outlook persisted amid concerns about economic slowdown overseas due to the European debt crisis and rising crude oil prices, while domestically, Japan headed toward a gradual recovery from the economic downturn that resulted in the wake of the Great East Japan Earthquake. In the housing industry, overall new housing starts grew 2.7% year on year, but rental housing starts were sluggish, declining by 0.7% year on year.

In this environment, sales declined in our Group's Construction Business due to measures for curbing apartment supply as a result of the shift to the Leasing Business. In contrast, we tried to secure sales in our Leasing Business by increasing ancillary income with respect to our 560,000 apartments under management.

As a result of the above, net sales decreased by 5.2% year on year to ¥459,436 million. With regard to income resulting from progress made in business restructure reforms that include a reduction in rental costs, we achieved profitability for the first time in three fiscal years, with operating income of ¥4,585 million (compared to an operating loss of ¥23,607 million in the previous fiscal year) and net income of ¥1,588 million (compared to a net loss of ¥40,889 million in the previous fiscal year).

However, since it has now become difficult to achieve the targets stated in our Medium-term Management Plan, due to a deterioration of the business environment and changes in our implementation speed (direction and positioning), we have formulated and implemented a new Medium-term Management Plan, "Creating Future," beginning in the current fiscal year ending March 31, 2013.

In fiscal 2012, the first year of this plan, we will further strengthen the profit structure of our Leasing Business and expand our earnings, targeting operating income of ¥8,000 million and net income of ¥5,500 million, which would represent a second consecutive year-on-year increase in earnings.

In order to achieve this, I intend to lead the way and, in collaboration with the group as a whole, strive for further reform of our business restructure, while at the same time paving the way for a growth strategy.

In closing, I would like to humbly request the continued support and encouragement of all stakeholders.

August 2012

Eisei Miyama

Eisei Miyama
President and CEO
Leopalace21 Corporation

INTERVIEW WITH THE PRESIDENT

Leveraging the results of the business structure reforms we have carried out to date and, without relenting in our pursuit of reform, we will continue to push ahead with the establishment of an earnings structure centered on "stock" (leasing based) business activities.

Medium-term Management Plan

Q Please sum up the previous Medium-term Management Plan, "Change for NEXT," which started in May 2010.

A Our business structure reforms have yielded results, and we were able to achieve a profit for the first time in three years.

With the previous Medium-term Management Plan, "Change for Next" (from the fiscal year ended March 2011 to the fiscal year ending March 2013), the objective was to establish a stable earnings structure that struck a balance of earnings between our Leasing Business and Construction Business, based on the implementation of various measures aimed at improving profitability and an action plan for reducing costs and selling, general, and administrative (SG&A) expenses. To this end, we prioritized making our Leasing Business profitable while also restricting the scale of our Construction Business.

Under this plan, we steadily implemented whatever internal measures we could to reduce costs and SG&A expenses, but the economic slump following the Lehman Shock was worse than initially expected, and no recovery in occupancy rates was in sight. We therefore shrank our Construction Business (by further restricting the amount of orders received) while at the same time accelerating efforts to reduce our leasing costs ahead of schedule and carrying out a review of the previous Medium-term Management Plan.

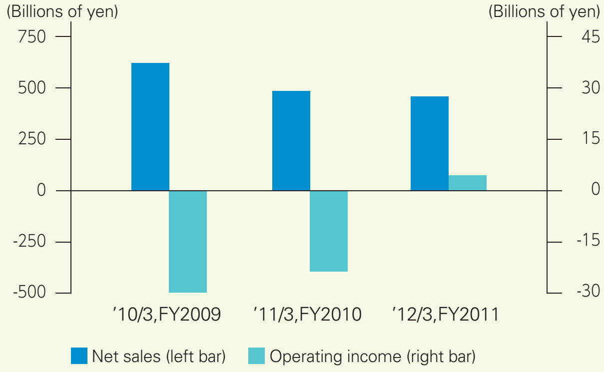
Notably, in the fiscal year ending March 2012, many vacancies arose from April due to the impact of the Great East Japan Earthquake that occurred in March 2011, so it was a difficult year from the very start. However, we implemented measures to continue moving forward with our transition toward a "stock" (leasing based) business (the Leasing Business), and we were also able to improve the average annual occupancy rate by 1%.

In order to improve the profitability of our Leasing

Business, it was essential to transform the thinking of each and every director and employee. The fact that our business structure reforms have yielded results is a reflection of this change in thinking. Previously, our flow-based Construction Business had been driving our revenue, but in light of the future outlook for the Japanese economy and rental housing market, our employees have come to understand that it is the profitability of our Leasing Business which is essential, and unless that is achieved, there will be no future for us. We strived to make our Leasing Business profitable, while absorbing a substantial reduction in orders received in our Construction Business.

In terms of results, our operating income for the fiscal year ending March 2012 was ¥4.5 billion, enabling us to achieve profitability for the first time in three years, and indicating that the initiatives of the previous medium-term plan were successful to a certain extent.

Trend in Business Performance

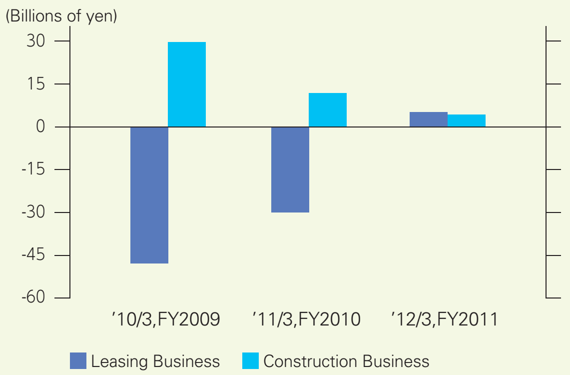


Q What, then, are the issues continuing on from the previous Medium-term Management Plan?

A The priority issues are acquiring individual tenants and promoting long-term occupancy, setting up a stable profit structure for the Leasing Business, and diversifying the properties we supply.

In the fiscal year ending March 2012, we were able to achieve profitability for the first time in three years by proceeding with business structure reforms. In an effort to enhance the customer appeal of our Leasing Business and improve what we call our "tenant placement ability," we actively promoted the opening of "Leopalace Partners" franchise sales offices. We also implemented measures aimed at enhancing the value of our properties to make our products more attractive, and moved forward with the introduction of photovoltaic power generation systems and security systems. Furthermore, looking to expand the scope of activities of the Construction Business beyond the mainstay master lease system apartments, we devoted efforts to securing orders for and constructing owner-managed apartments and buildings to be used as elderly care facilities and commercial facilities. These various measures are continuing to steadily bear fruit.

Trend in Operating Income for Core Businesses



Therefore, the issue moving forward is not to simply make the Leasing Business profitable for a single year but rather to realize profits that are at a stable level, even before accounting for decreases in the reserve for apartment vacancy loss. I believe that the following specific issues must be addressed by our business divisions. For the Leasing Business, the issues are how to acquire individual tenants and promote long-term occupancy. For the Construction Business, the question is how to develop attractive products, an area in which there has been no active effort in the past few years.

After that, I think it is necessary to devise a new growth strategy addressing the broader picture, which we were unable to do adequately in the previous Medium-term Management Plan, which focused on making the Leasing Business profitable as the priority issue.

Q **Please tell us about the aim of the current Medium-term Management Plan, "Creating Future."**

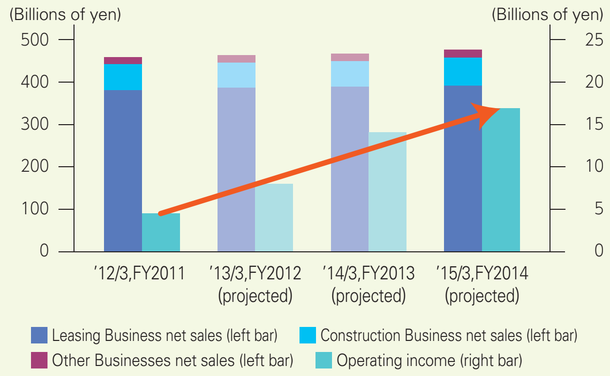
A **The aim is to establish a robust business centered on our Leasing Business, and then pursue further growth.**

Following on from the previous plan, the basic policy of the current plan is to establish a stable earnings structure that strikes a balance between both our core businesses.

In accordance with this policy, the key theme is how to establish a profit structure that places the emphasis on the "stock" (leasing based) business (the Leasing Business). In terms of specific business measures, the cornerstone of the plan is to continue with the efforts we have made to date and scrupulously carry out the remaining tasks within the next three years.

At that time, as I mentioned earlier, one issue will be what growth strategy to adopt once we have realized stable profitability for our Leasing Business. Currently, our policy is not to increase the 560,000 managed units that form the basis of our stock, which range from 20-year-old properties to newly built properties. Since occupancy rates naturally tend to be higher in the newer properties, upgrading the interiors of our stock (rebuilding and renovation) will provide us with new business moving forward. Besides this, it is also necessary to consider enhancing the earnings structure of our non-core businesses, such as the Elderly Care Business and the Hotels and Resort Business.

■ "Creating Future" Medium-term Management Plan



Priority Initiatives for Fiscal 2012

Q **What is the key theme for the current fiscal year (ending March 31, 2013) in "Creating Future?"**

A **To push ahead with both the enhancement of the competitiveness of our core business and the promotion of efforts to move our existing business into new areas, while creating a foundation for growth.**

In the newly begun Medium-term Management Plan, "Creating Future" (from the fiscal year ending March 2013 to the fiscal year ending March 2015), three years from now we are aiming for operating income of ¥16.9 billion in the fiscal year ending March 2015, which is a three-fold increase over the previous fiscal year's operating income.

In order to push ahead with this plan, the theme for the current fiscal year, ending March 31, 2013, is the creation of a foundation for future growth. With the aim of enhancing the competitiveness of our core business, we are strengthening our sales channels by bolstering sales performance through the provision of training at "Leopalace Partners" franchises, while continuing efforts to improve our leasing costs by reducing management work-related costs and optimizing rent payments.

Next, in terms of efforts to expand our existing business into new areas, we are working to increase orders received for properties other than master lease system apartments, such as elderly care facilities and retail stores, thereby establishing a foothold for new growth in our Construction Business.

At the same time, we will maintain a low-cost structure, while ensuring a sufficient allocation of resources to cover the essential costs, such as HR, advertising, and sales promotion, to build momentum toward a growth strategy.

By implementing these initiatives, we hope to firmly create a foundation for future growth.

Long-term Vision

Q What is Leopalace21's aim for the future?

A In keeping with our corporate philosophy of "creating new value," we will work to be a company that develops products, services, and technologies as needs change over time, generating value for society as a whole.

Until now, Leopalace21's business development has focused primarily on housing. Moving forward, we do not intend to change our focus, and for the next ten years or so, I believe that our basic strategy will be to achieve growth through business centered on our housing stock. To date, our company has made a habit of focusing our thinking on the Construction Business involving large unit values, and in our management plans we have increased sales by constructing more and more properties. The idea tended to be as follows; if the number of leased managed properties increases, then the sales of the Leasing Business will also increase.

If one looks at the future of the Japanese economy and the rental housing market, however, this type of plan can no longer be successful. Moving forward, I believe it is necessary to not simply provide space but also to supply new value created by Leopalace21, and link it to our business in response to the diverse needs of tenants and owners.

An example of this is the renewable energy business. We are currently still in the process of studying a specific plan, but there are various other ideas being considered, such as the possibility of installing photovoltaic power generation systems in our managed stock, for example, and selling electrical power.

To Shareholders and Investors

Q Please explain your thinking regarding the future restoration of the dividend.

A The distribution of profits to shareholders is an important management issue, and through the steady implementation of our Medium-term Management Plan, we are paving the way toward restoring the dividend.

Recognizing that returning profits to shareholders is a key issue in management, I think it is important to quickly bring about a restoration of the dividend for that purpose. However, I believe that with our company having finally achieved profitability for the first time in three fiscal years in last fiscal year, our first priority should be to establish a stable earnings structure. We are devoting as much effort as possible to the restoration of the dividend, but there are no shortcuts and the only way to reach this goal is to build up our operating income and steadily increase our retained earnings.

Special Feature: Medium-Term Management Plan -Creating Future-

Our Group started the new Medium-Term Management Plan, "Creating Future." In this plan, which takes into account the current business environment, we clarify the profile our Group aspires to, and aim to build a solid business foundation centering on our core Leasing Business and Construction Business.

Targets and Results of Previous Medium-Term Management Plan

Factoring in the protracted deflationary environment, the previous Medium-Term Management Plan was drawn up based on the domestic economic conditions in fiscal 2009. The specific business strategies in the plan were (1) make the strengthening of our stable business foundation our highest priority by working to improve our earnings balance through a greater focus on "stock" (leasing based) business; (2) reform organizations and rebuild governance with a focus on establishing a new earnings management system; (3) shift to a low-cost structure; (4) operate our related businesses so that "business resources are directed to core businesses; and (5) achieve greater financial stability. Through these policies, we had planned to improve operating income, but due to the worse-than-expected business environment, as reflected by economic trends, we accelerated our initial initiatives, further shrank construction business, and carried out a review of the previous plan.

● Previous Medium-term Management Plan, "Change for NEXT"

(Unit: Billion Yen)

	'10/3, FY2009	'11/3, FY2010		'12/3, FY2011	
	Actual	Projected	Actual	Projected	Actual
Net sales	620.3	564.7	484.3	560.6	459.4
Operating income	(29.7)	5.3	(23.6)	11.7	4.5
Net income	(79.0)	3.0	(40.8)	5.2	1.5
Equity ratio (%)	17.9	20.8	11.1	23.8	12.8
ROE (%)	(72.8)	4.0	(78.7)	6.8	4.8
EPS* (Yen)	(521.91)	19.14	(261.03)	34.32	9.40
Orders received	250.2	156.0	80.3	130.0	50.0
Average occupancy rate during the fiscal year (%)	82.3	83.7	80.1	84.5	81.2

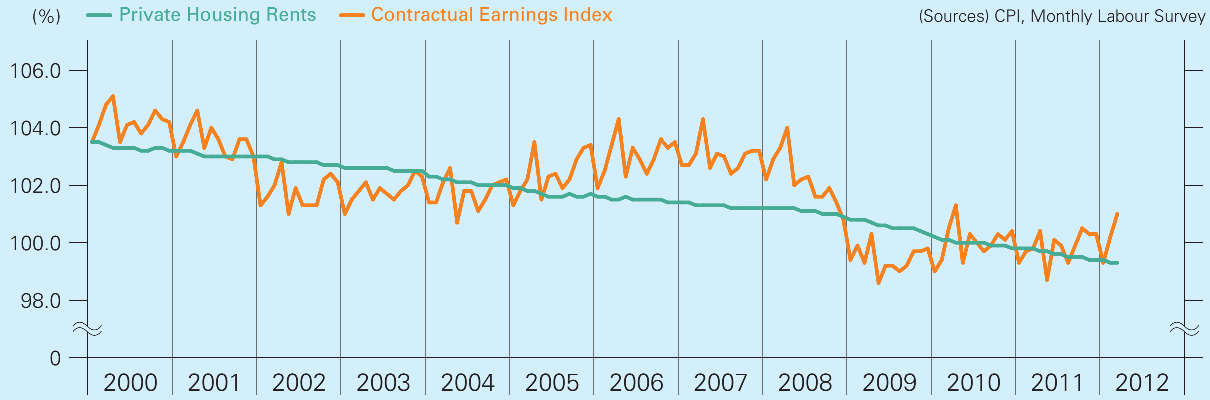
* Earnings per share

Background of Revisions to our Previous Medium-Term Management Plan

Rents of Rental Housing Continued their Downward Trend

One of the business environment changes not expected in the previous Medium-Term Management Plan was the fast decline in market rents. The prolonged economic slump has resulted in both lower salaried income and household revenues, so rental housing rents also continued to decline. Under the Group's contracts with owners, we were unable to respond quickly to sharp declines in market rents. Thus, more cost-cutting was required.

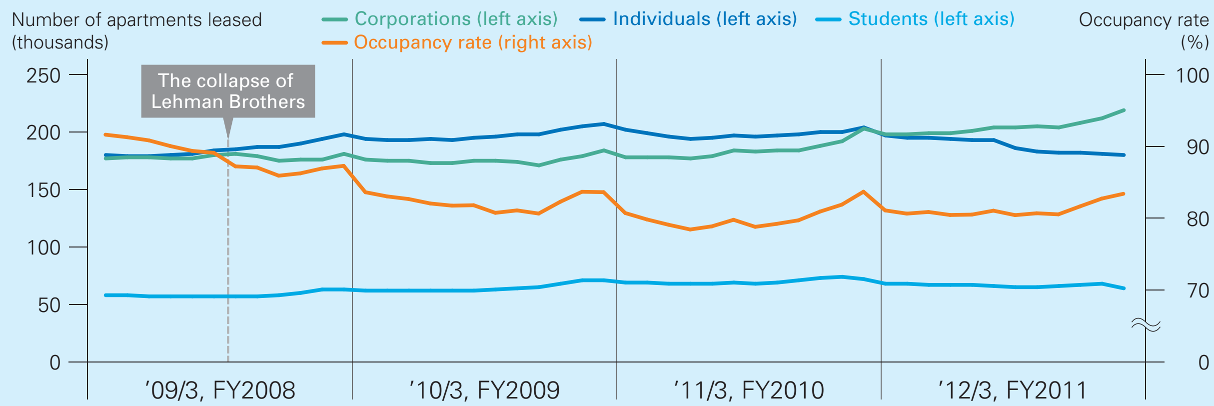
● Private Housing Rents and Contractual Earnings Index



Number of Individual Contracts Did Not Recover, Reduced Supply Further

Another unexpected change was the delayed recovery in occupancy rates. For corporations, the number of apartments leased increased to about 220,000 units as of March 31, 2012, partly due to our stepped-up corporate sales. For individuals, we also aimed to increase our contracts, for example by establishing the "Leopalace Partners" franchise system, which expanded our sales channels. Even so, partly due to the effects of deflation (protracted economic slump), the market for individual tenants was weak, resulting in a need to shrink our Construction Business (further reduced supply).

● Trend in Occupancy Conditions, by Attributes



Numerical Targets in our New Medium-Term Management Plan, "Creating Future"

In our new Medium-Term Management Plan, "Creating Future," we aim for net sales of ¥476.5 billion, operating income of ¥16.9 billion, and net income of ¥13.5 billion in the fiscal year ending March 2015, the final fiscal year of the Plan. In view of current economic conditions with stubborn deflation, this plan assumes that the harsh market environment will continue. That is, we do not pin our hopes on a scenario where a market turnaround drives sales and profits growth. Instead, we plan to achieve sharp recoveries in both operating income and net income, even in a harsh environment, by further bolstering initiatives to enhance our business structure.

In the new plan, we aim to strengthen our financial structure along with recovery in our profitability. We will focus on cash flow, continue a return to our origins in "motazaru-keiei" (non-ownership management), and work to reinforce the soundness of our financial structure. We aim to thus improve from our negative ¥3.1 billion operating cash flow in the fiscal year ended March 2012 to positive ¥13.3 billion in the fiscal year ending March 2015. We look to improve our shareholders' equity ratio from 12.8% in the fiscal year ended March 2012 to 29.5% in the fiscal year ending March 2015.

We aim to greatly boost our return on equity (ROE) to 20.0% from 4.8% in the fiscal year ended March 2012, and boost return on assets (ROA) from 0.6% to 5.2% in the same period.

● New Medium-Term Management Plan "Creating Future"

(Unit: Billion Yen)

	'12/3, FY2011 Actual	'13/3, FY2012 Projected	'14/3, FY2013 Projected	'15/3, FY2014 Projected
Net sales	459.4	463.9	467.4	476.5
Operating income	4.5	8.0	14.1	16.9
Net income	1.5	5.5	11.0	13.5
Net assets	33.8	42.8	58.0	76.5
Equity ratio (%)	12.8	17.0	23.1	29.5
Operating cash flow	(3.1)	2.4	12.0	13.3
ROE (%)	4.8	14.3	21.8	20.0
EPS (Yen)	9.40	29.20	54.20	62.40
ROA (%)	0.6	2.2	4.4	5.2
Orders received	50.0	76.8	80.1	78.9
Average occupancy rate during the fiscal year (%)	81.2	83.0	85.0	85.8

Basic Policies of New Medium-Term Management Plan, "Creating Future"

Under the new Medium-Term Management Plan, we will continue to aim to establish a stable earnings structure which takes into account the balance of earnings between our Leasing Business and Construction Business. To this end, we established five basic policies, and will work on such initiatives in each business.

In our Leasing Business, we seek to reform our structure so that we are profitable, even at current occupancy rates. In our Construction Business, we narrow down our supply areas and strengthen new business domains (construction of non-residential buildings) and product development abilities.

Basic policy
"Establish a stable profit structure with balance between Leasing Business and Construction Business"

(1) Establish a solid profit structure with a "stock" (leasing based) business (the Leasing Business) as a central axis
(2) Maximize group profit with our core businesses as a main pillar
(3) Establish an earnings management structure of non-core businesses
(4) Maintain a low-cost structure, with selection and concentration of strategic costs
(5) Execute business measures creating a new social value, and pursue growth by new businesses

Creating Future

● Action Plan for Each Business

	Create a foundation for growth '13/3, FY2012	New growth stage '14/3, FY2013 / '15/3, FY2014
	•Enhance the competitiveness of core businesses •Implement initiatives in new areas by existing businesses	•Support the continuing growth of core businesses •Implement initiatives for new business
Leasing Business	**Establishment of earnings structure** ▶ Enhance channels ▶ Establish a framework for operating profitability excluding the reversal of reserve for apartment vacancy loss	**Further development as a high earning business** ▶ Increase competitiveness of leased managed properties, with a maximum of 570,000 managed apartment units ▶ Enhance service for tenants ▶ Increase installation of security systems to 35% (10% as of March 31, 2012) ▶ Expand network of offices to 400 (357 offices at March 31, 2012)
Construction Business	**Initiatives in new areas** ▶ Expand orders other than master lease system apartments (elderly care facilities, stores) ▶ Expand orders in areas where high occupancy rate is expected	**Establish and develop products and business areas that will form a new earnings base** ▶ Expand variety of buildings (energy-saving features, geared to the elderly, stores, etc.) ▶ Increase installation of solar power systems or photovoltaic power generation systems to 30% (18% at the end March 2012)
Related Business	**Client retention** ▶ Strive to retain clients (promote utilization, collaboration among business divisions)	**Maximize earnings** ▶ Maximize earnings by streamlining operations and management systems, and strengthening collaboration
Overall Business	**Cost selection and focus/Growth strategy initiatives** ▶ Make strategic cost investments while maintaining a low-cost structure (personnel costs, advertising costs, sales promotion costs) ▶ Move forward with initiatives for new businesses ("Future Project")	

Plan and Policies for Each Business

Leasing Business

Improve our Cost Structure, Target Large Increase in Operating Income

In our Leasing Business, we aim for net sales of ¥391.5 billion and operating income of ¥16.1 billion in the fiscal year ending March 2015. Even without assuming a large rebound in occupancy rates, we can achieve our target of improved operating income. The key will be an improved cost structure. By introducing our franchise system, we are working to move from fixed costs to variable costs and further shrink our leasing costs. We aim to boost our average occupancy rate from 81.2% in the fiscal year ended March 2012 to 85.8% in the fiscal year ending March 2015.

Create Properties that Attract Tenants, Develop our Franchise System, Strengthen our Corporate Sales Abilities

In our Leasing Business, our business strategy is to enhance our ability to attract customers. In our previous Medium-Term Management Plan, we began to actively develop "Leopalace Partners." We plan to bolster training for these partners, increase the number of sales, further strengthen corporate sales, and work on customizing rooms to encourage long-term leasing. On the other hand, we will continue to work to cut management costs, and strengthen our profit structure.

(Billion Yen)	'12/3, FY2011 Actual	'13/3, FY2012 Projected	'14/3, FY2013 Projected	'15/3, FY2014 Projected
Net sales	380.3	386.6	389.0	391.5
Gross income	38.6	45.2	51.6	53.3
Operating income	5.2	9.5	15.0	16.1
Average number of managed properties during the fiscal year (thousand units)	566	553	554	560
Average occupancy rate (%)	81.2	83.0	85.0	85.8

Leasing Strategy

1. Development of direct offices and Leopalace Partners
2. Corporate Sales
3. Initiatives to address tenant needs
4. Initiatives for international students
5. Progress in reducing leasing costs

Hotels and Resort Business

Work to Boost Occupancy Rates, and Aim to Return to Profitability in Two Main Businesses on a Single Fiscal Year Basis

In our Hotels and Resort Business, we aim for net sales of ¥6.8 billion and operating loss of ¥0.6 billion in the fiscal year ending March 2015. In both our hotels in Japan business and overseas resort business, we seek to provide new value and services in order to boost our occupancy rates, aiming to return to profitability in the fiscal year ending March 2015 on a single fiscal year basis.

(Billion Yen)	'12/3, FY2011 Actual	'13/3, FY2012 Projected	'14/3, FY2013 Projected	'15/3, FY2014 Projected
Net sales	6.2	6.6	6.7	6.8
Operating income (loss)	(1.6)	(1.0)	(0.7)	(0.6)

Construction Business

Still Restraining Sales Growth, But Aiming for 60% Increase in Total Orders Received to ¥78.9 Billion

In our Construction Business, we aim for net sales of ¥67.4 billion and operating income of ¥5.1 billion in the fiscal year ending March 2015. During the period of our Medium-Term Management Plan, our policy is to establish a profitable structure for our Leasing Business. To this end, we look to restrain the growth rate of these sales to 10% or less, while narrowing down apartment supply targets to areas where high occupancy rates are expected and launching differentiated products, thereby steadily bringing a recovery in total orders received. In the fiscal year ending March 2015, we aim for about a 60% increase over the fiscal year ended March 2012 in total orders received to ¥78.9 billion.

(Billion Yen)	'12/3, FY2011 Actual	'13/3, FY2012 Projected	'14/3, FY2013 Projected	'15/3, FY2014 Projected
Net sales	62.9	60.2	61.1	67.4
Apartments	43.8	49.9	53.8	60.2
Non-residential	0.6	2.8	5.1	6.1
Solar, etc.	18.3	7.4	2.1	0.9
Gross income	16.7	14.4	15.7	17.8
Operating income	4.3	3.0	3.5	5.1
Orders received	50.0	76.8	80.1	78.9

Strategy to Tighten Focus to Areas where High Occupancy is Expected, and Introduce Leading-Edge Products

In our Construction Business, we aim to secure contracts with a focus on obtaining high utilization rates (occupancy rates) in apartments after completion. We will continue to pour effort into urban areas with high occupancy rates, and work to develop products which meet customer needs such as housing adapted for narrow lots and environmentally-friendly housing, and enhanced products which are ahead of their time such as apartments with two lofts. We will also expand our construction subcontracting of retail and commercial facilities, and elderly care facilities where growth is expected.

Construction Strategy

1. Supply apartments based on area strategy
2. Develop products that are ahead of their time
3. Build high-quality apartments
4. Rebuild
5. Subcontract buildings for businesses other than apartments

Elderly Care and Other Businesses

Aim for Higher Occupancy Rates in Private Residential Homes in our Mainstay Elderly Care Business

In our Elderly Care and Other Businesses, we aim for net sales of ¥10.7 billion and operating loss of ¥0.5 billion in the fiscal year ending March 2015. In our elderly care business, we look for net sales of ¥9.6 billion, and a reduced operating loss of ¥0.6 billion. To achieve our targets, we will boost occupancy of private residential homes that have low occupancy rates, and effectively use advertising and other means to boost our ability to attract customers. We aim to improve occupancy rates to 91.9% in the fiscal year ending March 2015, up by 15.5 points from the fiscal year ended March 2012.

(Billion Yen)	'12/3, FY2011 Actual	'13/3, FY2012 Projected	'14/3, FY2013 Projected	'15/3, FY2014 Projected
Net sales	8.8	9.1	9.4	9.6
Operating income (loss)	(0.8)	(0.8)	(0.7)	(0.6)
Occupancy rate (day-service) (%)	62.7	66.2	68.4	70.2
Occupancy rate (short-stay) (%)	96.6	96.7	96.7	96.7
Occupancy rate (private residential homes, etc.) (%)	76.4	84.7	89.1	91.9

BUSINESS OVERVIEW:
AT A GLANCE

Business Description

LEASING BUSINESS

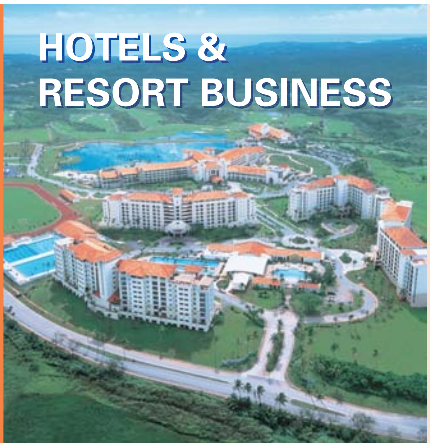
This business conducts rental, management, etc., of managed properties based on a master lease system. The leasing options we have developed include a "rental agreement," for which usage fees are paid on a monthly basis, easing the burden of initial costs, and a "monthly agreement," for which usage fees are paid up front, furniture and home appliances are included, and payment of water bill and utility costs not required.

Key subsidiaries/affiliates:
- Leopalace Leasing Corporation (corporate housing agency/real estate brokerage business)
- Plaza Guarantee Co., Ltd. (lease guarantee business)
- Leopalace21 Business Consulting (Shanghai) Co., Ltd. (consulting business)
- LIXIL RENEWAL Corporation (maintenance business)

CONSTRUCTION BUSINESS

This business undertakes construction subcontracting of apartments and other buildings. In recent years, in addition to master leased properties that we lease and manage ourselves after construction, while expanding construction subcontracting of non-apartment buildings such as commercial facilities and nursing homes. We are also devoting effort to developing products with tenants' interests in mind. One example is the provision of apartments with lofts, which are somewhat of a novelty.

HOTELS & RESORT BUSINESS



Via our overseas subsidiary Leopalace Guam Corporation, this business manages sports facilities such as golf courses and baseball fields and resort facilities such as hotels and condominiums on the island of Guam. It also conducts domestic hotel business at eight locations across Japan.

Key subsidiaries/affiliates:
- Leopalace Guam Corporation (hotels and resort business/Guam)
- Leopalace Travel, Ltd. (travel business)

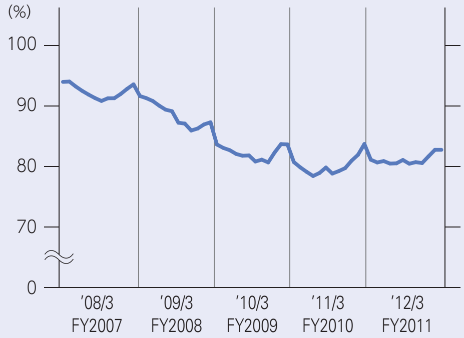
ELDERLY CARE BUSINESS & OTHER BUSINESSES

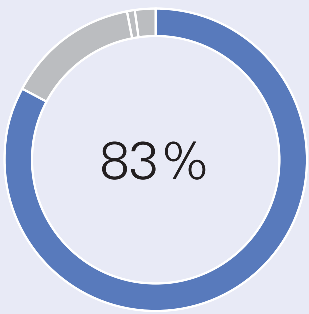
Under the brand name Azumi En, this business manages private residential nursing homes, facilities offering day services and short stays, and group homes at 58 locations in the Kanto region, and also conducts a regional community-based nursing care business that includes home visits by nursing care staff and the provision of in-home nursing care support services. Through a subsidiary, it also provides small-claims and short-term insurance covering household furnishings aimed at tenants.

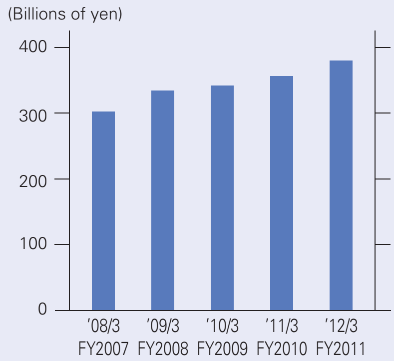
Key subsidiaries/affiliates:
- Leopalace Insurance Co., Ltd. (small-claims and short-term insurance business)
- Leopalace Smile Co., Ltd. (outsourcing business/special subsidiary)

Key Data | Breakdown of Net Sales | Changes in Net Sales

Occupancy Rates







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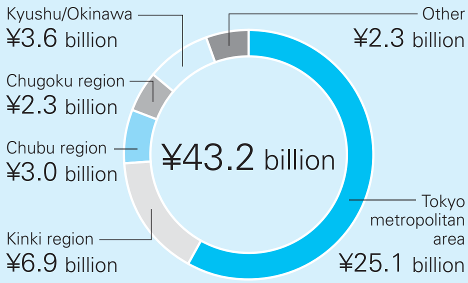
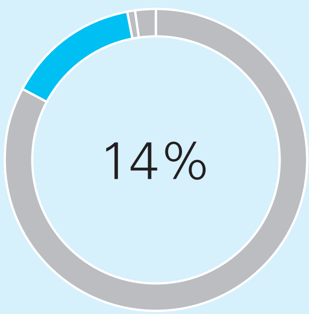
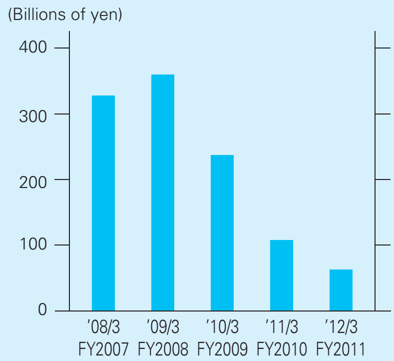
Apartment Construction Sales

(Fiscal Year Ending March 2012)







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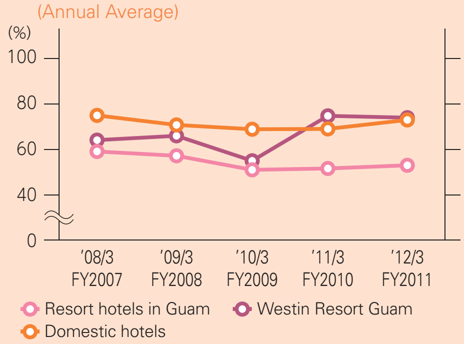
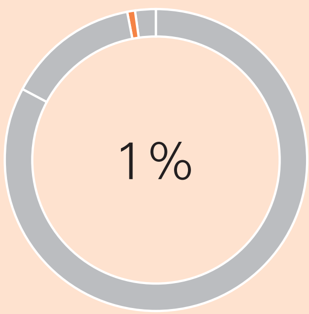
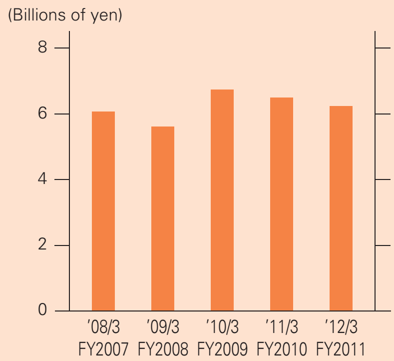
Guam/Domestic Hotel Occupancy Rates

(Annual Average)







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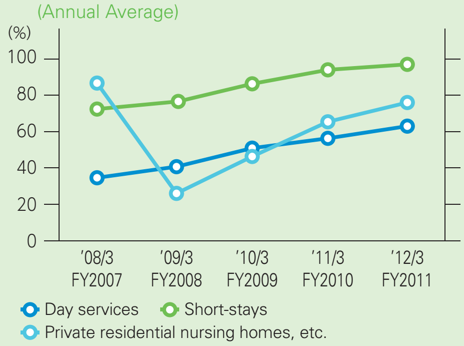
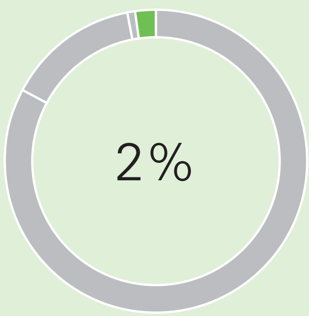
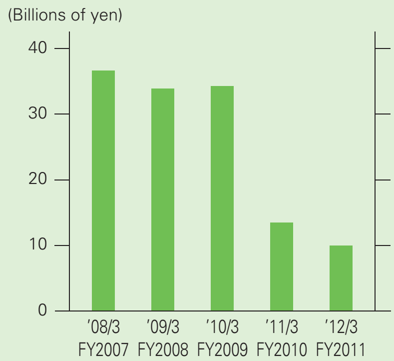
Elderly Care Facility Occupancy Rates

(Annual Average)







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SEGMENT OVERVIEW:
LEASING BUSINESS

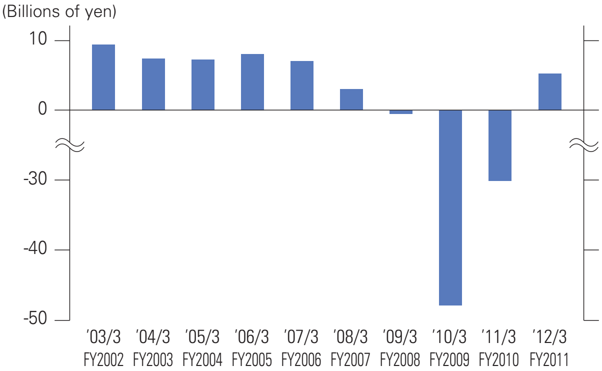
Performance

In fiscal 2011, the Leasing Business posted net sales of ¥380,307 million (a 6.6% increase from the previous fiscal year) and operating income of ¥5,248 million (compared to an operating loss of ¥30,094 million in the previous fiscal year). In the current fiscal year, in addition to increasing the number of points of contact for securing customers through the expansion of our network of franchise sales offices (Leopalace Partners) and strengthening our corporate sales, we curbed the number of apartment units under management by restricting property supply to areas that are expected to see stable tenant demand. As a result, the number of managed properties at the fiscal year-end was 556,000 units (down 15,000 units from the previous fiscal year-end), the occupancy rate at the fiscal year-end was 83.40% (down 0.29 percentage point from the previous fiscal year-end), and the average occupancy rate during the fiscal year was 81.16% (up 1.07 percentage points from the previous fiscal year).

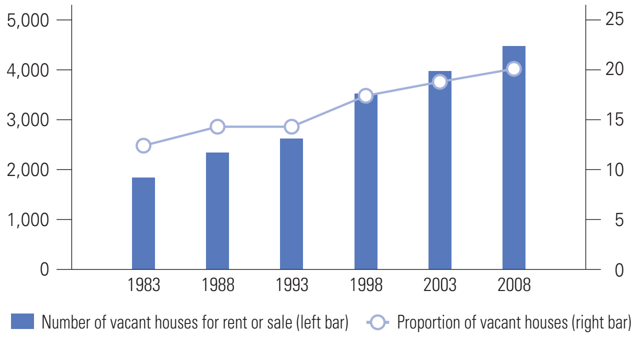
Business Environment and Related Issues

The rental housing market is already saturated due to the declining population, the increase in vacant houses, etc., and given these conditions, it is difficult to expect a nationwide recovery in demand in the near future. As a result, in our group's Leasing Business, it has become vital to take measures that will enable us to acquire tenants even in this fiercely competitive environment - such as supplying properties in regions where growth is expected even though the national population is declining, introducing distinctive products that allow for differentiation, and so forth. In order to do this, it is necessary to increase the number of tenants by strengthening our sales channels and implementing measures to enhance the value of our properties while proceeding with cost reduction by reviewing the master lease rents based on market rents, periodically reviewing our property management tasks, etc.

Operating Income (Loss)



Number of Vacant Rental Housing and the Proportion of Vacant Houses (Japan)



* Source: Housing and Land Survey the Ministry of Internal Affairs and Communications

Strategies

Development of directly managed sales offices and Leopalace Partners franchise offices:

We are planning to increase the number of directly managed sales offices in metropolitan areas and Leopalace Partners franchise sales offices in regional and suburban areas. During fiscal 2012, we will open 13 new directly managed sales offices and 30 new Leopalace Partners franchise sales offices, forming a system of 400 sales offices, while at the same time upgrading our sales capabilities by enhancing the training provided to our Leopalace Partners.

Corporate sales:

By building a sales system dedicated to corporate sales and developing and operating an online site (LAM System) aimed exclusively at corporate partners, we are cultivating strong relationships with our existing clients while working to increase the number of new clients to strengthen corporate sales.

Addressing tenants' needs:

We are aiming to promote long-term occupancy and improve occupancy rates through the introduction of differentiated products and services, such as: 1) "Room Customize," customized apartments, either with furniture and other interior furnishings selected by a prominent interior designer or apartments that are decorated with wallpaper chosen by the tenant; and apartments that come with "security systems," for which there is high demand among female tenants.

Measures aimed at international students:

In addition to our overseas branches (four sales offices in China, three in South Korea, and one in Taiwan) and call centers, we operate an online site (the "LAM School" site) aimed exclusively at partner schools, and are stepping up efforts to respond to growing demand among international students.

Leasing costs:

In addition to reviewing established business practices such as the cleaning of apartment buildings, while reducing the cost of property management services, we will optimize rent paid to owners based on the market rates for neighboring properties, etc., and continue working to cut costs in general.

Key Products/Services

"Room Customize":

This innovative service makes it possible for tenants to customize their living space to suit their own tastes—even in rental properties. Two plans are available: the "Designers Plan," which is designed by an interior designer, and the "My-Collection Plan," which allows tenants to customize the apartment by giving them a choice of wallpaper.

Monthly agreements:

"Monthly Agreements" are available for short-term use starting from 30 days. These are furnished units, with utilities charges included in the rent fee, making them suitable for long-term business trips, or during periods of training, etc.

LEONET:

This is a specialized broadband service for Leopalace21 leased apartments. Tenants can access the Internet using dedicated tuners and televisions installed in the units.

Security systems:

With "24-hour, 365-day safety and security" as our motto, we have partnered with two major nationwide security companies to install security systems in newly built properties and in existing (previously constructed) properties under management.

SEGMENT OVERVIEW:

CONSTRUCTION BUSINESS

Performance

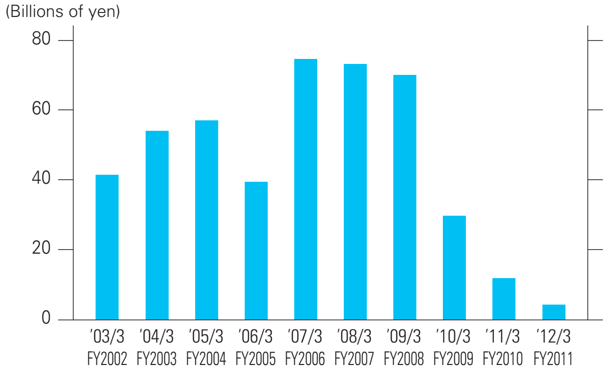
In fiscal 2011, our Construction Business posted net sales of ¥62,913 million (a 41.7% decrease from the previous fiscal year) and operating income of ¥4,309 million (a 64.0% decrease from the previous fiscal year). Since our priority in this fiscal year was to improve the profitability of our Leasing Business, we worked to increase sales of built-for-sale apartments not under our management, and promoted the installation of photovoltaic power generation systems, which will improve the value of our properties, while also making efforts to win orders in areas that are expected to see stable tenant demand. As a result, orders received in fiscal 2011* totaled ¥50,019 million (37.7% decrease from the previous fiscal year) and the orders received outstanding at fiscal year-end totaled ¥54,498 million (54.7% decrease from the end of previous fiscal year).

* With regard to orders received for the fiscal year under review, cancellations during the period were not subtracted from orders received. If cancellations had been subtracted from orders received, the orders received for the fiscal year under review would be a negative figure due to the centralized cancellation processing of long-term retaining leases, including orders received in the previous fiscal years. Such a negative figure achieved as a result of conventional netting would not appropriately express the result of orders received during the fiscal year.

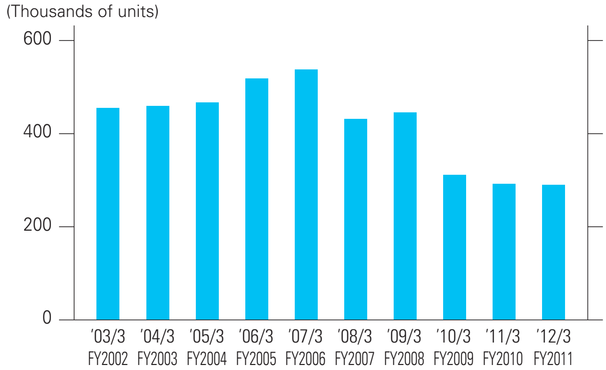
Business Environment and Related Issues

The business environment surrounding our Construction Business continues to be difficult. In addition to ongoing uncertainty regarding the domestic economic outlook, there is a downward trend in new housing starts. From a peak of 537,943 units in fiscal 2006, rental housing starts have continued to decline, with annual new housing starts remaining at around 300,000 annually in the last few years. What's more, there have been major changes in demand for housing for which it was anticipated there would be a specific need, such as rental housing aimed at temporary manufacturing personnel (although extremely high demand for such housing had temporarily been projected, it dropped sharply following the collapse of Lehman Brothers). In order to secure earnings even in such a difficult environment, it is necessary to identify areas where high occupancy rates are anticipated and develop differentiated products.

Operating Income



Number of New Rental Housing Starts



* Source: Statistics on New Housing Starts of the Ministry of Land, Infrastructure, Transport, and Tourism

Strategies

Supply new apartment buildings based on the Area Strategy:
For buildings that are less than five years old, the occupancy rate is at a high level nationwide (around 90%), and since extremely high demand is also anticipated in future, especially in Japan's three major metropolitan areas, we will continue supplying apartments centering on those areas.

Developing products that are ahead of their time:
We will push ahead with strengthening our selection of differentiated products, such as housing adapted for narrow lots which is intended as architecture for urban areas where high occupancy rates are anticipated; environmentally friendly housing that employs photovoltaic power generation and storage batteries; housing with two lofts offering an amount of storage space equivalent to the living space; and so forth.

Building high-quality apartments:
We aim to construct high-quality apartments which enable tenants to live safely, securely, and comfortably, thanks to earthquake resistance based on vibration control braces, sound insulation based on sound-insulating walls and flooring, siding with a self-cleaning function, so that dirt on walls is naturally washed off by drops of rain, etc.

Rebuilding:
For buildings that are at least 15 years old, we will work to stimulate demand for rebuilding. We will suggest to apartment building owners that rebuilding, which increases the attractiveness of a property—such as upgraded toilet and bathroom plumbing, enlarged kitchens, and enhanced security systems—will lead to a rise in the occupancy rate. By doing so, we aim to secure rebuilding orders.

Construction subcontracting for non-residential buildings other than apartments:
We are expanding our construction subcontracting of non-residential buildings such as elderly care facilities, for which demand will rise in future, and retail/commercial facilities.

Key Products/Services

DUAL-L:
This is rental housing that makes use of lofts, which is a strength of our group. By incorporating the lofts on two places, these apartments offer storage space equivalent to the amount of living space (in the maximum case) and respond to tenants' diverse lifestyle needs.

Eco-housing/"Sky-stage":
This is the third edition to our eco-friendly Leco model products. The 1st floor includes an inner garden, and the 2nd floor has a large-size "sky balcony." In addition, there are "active eco" features such as photovoltaic power generation systems and storage batteries, and also "passive eco" features that make effective use of nature's energy, like sunlight and ventilation.

Photovoltaic power generation systems:
Our group considers the safety and security of the global environment to be a key issue. Therefore, we have begun adding to newly constructed properties photovoltaic power generation systems that will lead to an expansion of clean energy, and are also promoting the incorporation of these systems into our existing managed properties across the country.

SEGMENT OVERVIEW:

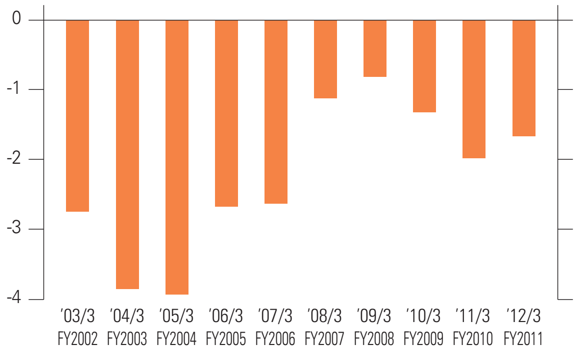
HOTELS AND RESORT BUSINESS

Performance

In fiscal 2011, net sales for our Hotels and Resort Business (Guam resort facilities and hotels in Japan) dropped to ¥6,228 million (4.1% less than the previous fiscal year) because of the decline in Japanese tourists due to the impact of the Great East Japan Earthquake and other factors. We posted an operating loss of ¥1,663 million, which represents an improvement of ¥311 million compared to the previous fiscal year.

Operating Income (Loss)

(Billions of yen)



Business Environment and Related Issues

With regard to our Guam resort facilities, the impact of the Great East Japan Earthquake has faded, and we are seeing a return of tourist numbers in line with the level of fiscal 2010. When it comes to hotels in Japan, on the other hand, competition is growing fiercer due to the increasing number of business hotels. Moving forward, for both our hotels in Japan and Guam resort facilities, our aim is to realize a near-term return to profitability with stable occupancy rates throughout the year.

Strategies

At our Guam resort facilities, we will push ahead with our plan of targeting the elderly market by holding regular culture classes and so forth. As well, we will promote the use of condominiums and duplexes (bungalow-style housing) as leased housing aimed at affluent locals and U.S. military personnel. As a result of the synergy effect with our other business divisions, especially collaboration with our leasing corporate sales department, our hotels in Japan will increase their use for business purposes and repeat guests.

Key Products/Services

Leopalace Hotels:

We have developed eight domestic locations (Sapporo, Asahikawa, Sendai, Niigata, Nagoya, Yokkaichi, Okayama, Hakata). These hotels offer visitors superior comfort during their stay thanks to restaurants that we manage ourselves, and video on demand (VOD) that we offer guests at no charge, etc.

Leopalace Resort Guam:

The Pan Pacific Sports Center operated within Leopalace Resort provides a fully equipped, international-caliber, multi-sport facility set amid the natural beauty of Guam. It is used not only as a resort but also as a training site for athletes.

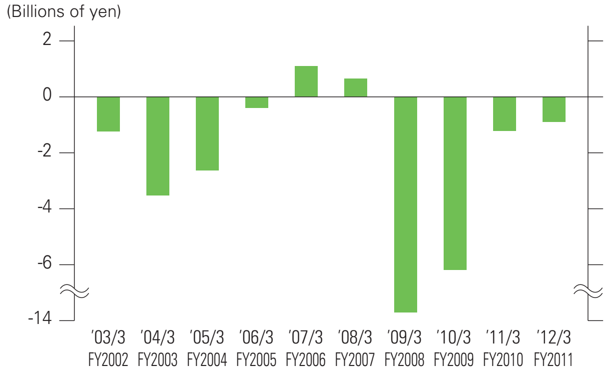
SEGMENT OVERVIEW:

ELDERLY CARE AND OTHER BUSINESSES

Performance

Thanks to the Azumi En facilities developed by the Group, net sales for our Elderly Care Business in fiscal 2011 came to ¥8,845 million (a 13.6% increase from the previous fiscal year), and we posted an operating loss of ¥855 million, which represents an improvement of ¥654 million over the previous fiscal year.

Operating Income (Loss) of Elderly Care Business



Business Environment and Related Issues

The business environment surrounding our elderly care business is difficult. While the population requiring care is growing and the market is expanding, care costs remain high and the financial burden of personnel expenses at facilities is increasing. The challenge for our Group is to realize a return to profitability in the near term by improving occupancy rates.

Strategies

We are targeting improved earnings for our Azumi En facilities through an increase in occupancy rates while maintaining them at their current size. In particular, we are working to improve occupancy rates at private residential homes, which have low rates and are struggling.

We are also aiming to increase our drawing power by ramping up promotional activities, such as recruitment ads, while at the same continuing with our ongoing efforts to reduce administrative expenses.

Key Products/Services

Azumi En

We manage 58 Azumi En locations in the Kanto region. At these facilities, we provide residences and care services for elderly people. These facilities include private residential homes, which offer support for daily living in a family-like atmosphere, group homes that deliver support for daily living through meticulous care, Day-service facilities that elderly people living in their own homes can visit on a single day, and Short-stay facilities, where elderly individuals can stay on a temporary basis.

A MANAGEMENT STRUCTURE BUILT ON CSR

Our Basic Approach to CSR

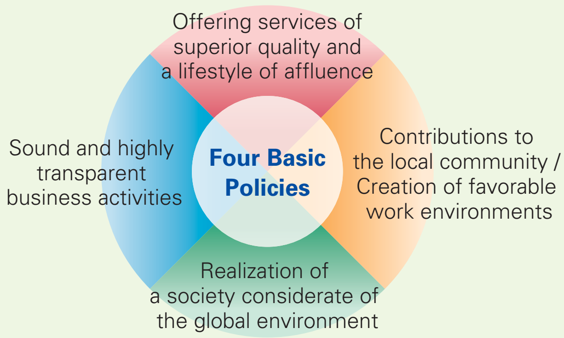
Leopalace21 shoulders the enormous social responsibility of providing housing, the most basic form of infrastructure for human life. To fulfill this responsibility and contribute to the realization of a sustainable society as a corporate citizen, we have established four basic CSR-related policies. We are pushing ahead with various initiatives based on these policies.

CSR Declaration

We, as a corporate citizen, are determined to respond to the expectations of all stakeholders, including customers, aiming at developing together and contributing to the realization of a sustainable society.

Basic CSR Policy

As a corporate citizen determined to contribute to the realization of a sustainable society, we have established four basic policies.



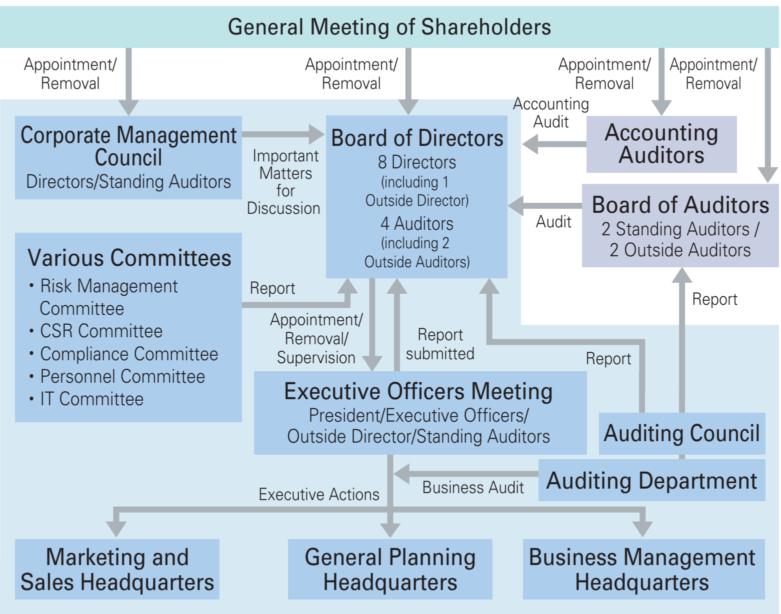
Sound and Highly Transparent Business Activities

Corporate Governance

Leopalace21 has positioned the preparation and strengthening of corporate governance as one of its most important management issues. In order to realize greater corporate value for all stakeholders, we are aiming for efficient, fair, and highly transparent management, and are working each year to strengthen our governance structure.

While the Board of Directors, which is our decision-making body, seeks to improve the company's performance through appropriate and prompt decision making, the Board of Auditors, which has been set up as a body overseeing the directors' executive actions, works to strengthen management monitoring functions. Besides clarifying responsibilities and powers by employing a triple-headquarters structure, we have established a Compliance Committee as an advisory body to the Board of Directors. Through appointing outside directors that are highly knowledgeable about corporate management as the directors and other measures, we aim to continuously enhance corporate governance.

Corporate Governance System



Developments in the Preparation of Corporate Governance and Internal Control Structure

2006	Establishment of the Corporate Code of Ethics Creation of an internal control system •Strengthening of the Compliance Committee •Formation of a Risk Management Committee •Establishment of a Legal Affairs Department •Creation of the internal reporting system •Establishment of the Corporate Management Council
2007	Formulation of auditing implementation standards related to the internal control system Introduction of the executive officers system
2008	Establishment of a CSR Committee
2010	Expansion and strengthening of the internal auditing office as the Audit Department Establishment of an Auditing Council Appointment of Outside Directors

Number of Board of Directors/Other Meetings Held in Fiscal 2011 and Attendance Rate of Outside Director

Board of Directors: 20 meetings, 100%

Corporate Management Council: 12 meetings, 92%

Directors and Auditors (As of June 30, 2012)

Back row from left: Auditor (Outside) Masahiko Nakamura, Auditor (Outside) Koichi Fujiwara, Director Yuzuru Sekiya, Director (Outside) Tetsuji Taya, Director Fumiaki Yamamoto, Standing Auditor Shinya Watanabe and Standing Auditor Masumi Iwakabe

Front row from left: Director Kou Kimura, Director Hiroyuki Miyata, President and CEO Eisei Miyama, Director Tadahiro Miyama and Director Yoshikazu Miike

Interview with the Outside Director

Outside Director

Tetsuji Taya

Taya took part in the establishment of the Industrial Revitalization Corporation of Japan (IRCJ), where he assumed the position of Managing Director. After the dissolution of IRCJ, he established Industrial Growth Platform, Inc. He assumed the position of Director of Leopalace21 in 2010.

Q: What do you think are the roles expected of you as an Outside Director?

I think one of my roles is to serve as a brake in management decisions from the perspective of an outsider who has no vested interest in each case. In light of the fact that the business was in an extremely difficult situation two years ago when I assumed the position of Outside Director, there may also have been expectations that I would drive the business restructuring. I have considerable experience in corporate turnarounds, and I believe that I have managed to make a contribution in that area.

Q: What do you ask of Leopalace21 in order for you to perform the roles expected of you?

To be provided with the necessary information. Upon assuming the position of Outside Director, I confirmed that I would be given proper access to all necessary information. I also currently attend day-to-day decision-making meetings, committee meetings, etc., and so I do feel that such an environment is in place. My impression is that corporate management actively seeks out the opinions of outsiders.

Q: How much progress has been made to date in the business restructuring of Leopalace21?

There are cases of business restructuring ending up in failure due to friction inside and outside the company, but in the case of Leopalace21, I think that barriers have managed to be overcome as a result of the leadership demonstrated by the President and CEO and the rest of corporate management. As a company that operates a business, the question is not whether a business restructuring was implemented, but rather whether the profit structure has been improved as a result of the restructuring. Great improvements have been made in that respect. I see this as evidence that corporate management is making serious restructuring efforts. I believe that coming up, the next phase will pave the way for growth, enabling us to resume sustainable growth in the medium and long term.

Organization of CSR Promotion, Compliance and Risk Management

We ensure that our corporate activities are in compliance with laws and regulations, and also social ethics. In particular, we have strengthened the compliance structure through the establishment of an internal Corporate Code of Ethics, an internal reporting system, and a Compliance Committee.

The Compliance Committee, which serves as the advisory body to the Board of Directors, is chaired by the President and CEO. The Compliance Committee is comprised of lawyers and internal committee members, and undertakes various initiatives to promote compliance. Such initiatives include training as well as the expansion and upgrading of the information management system.

CSR activities are promoted by the CSR Committee under the direct control of the Board of Directors, while the Risk Management Committee oversees risk management company-wide. Concerning the internal audit system, in addition to the Auditing Department, which is an internal auditing unit independent of each operations unit, we have established the Auditing Council to effect an even greater strengthening of the Department, and we are working to verify, evaluate, and improve its effectiveness in accordance with our basic policies for internal control systems.

Organization of CSR Promotion, Compliance and Risk Management

Specific Compliance Initiatives

Description	Themes	Implementation period / Frequency
E-learning	"Insider Trading," etc.	2007-2012 / Total: 18 times
Publication of compliance newsletter	"Sexual Harassment," etc.	2006-2011 / Total: 18 times
Compliance training (group training)	"Organized Crime Exclusion Ordinances and Our Response," etc.	Nov. 2011-
Compliance training (training for employees of Group companies)	"Internal Reporting"	Sept. 2011 / Total: 6 times
Compliance training (training for non-management employees)	"Information Management," "Working Hours" and "Harassment"	Apr. 2010-Mar. 2011 / Total: 7 times Apr. 2011-Aug. 2011 / Total: 39 times

Offering services of superior quality and a lifestyle of affluence

The supply of high-quality housing, especially the supply of high-quality rental housing is still a serious social issue today. As a company that provides rental housing, we are striving to offer residences in which superior-quality services and an affluent lifestyle can be enjoyed.

● Call center staff

We are developing new products, one after another, that meet the diverse needs of residents and needs that change with the times. In recent years, we have launched the "Room Customize" service, which allows tenants to freely change the interior design of apartments. We have also started offering apartments equipped with security systems. In addition, we make proposals on effective land utilization. We propose subcontracting the construction of elderly care facilities and partial leased residences, in which rental income helps alleviate the burden of mortgage loan payments.

In addition, service centers have been established in 129 locations across Japan (as of the end of June 2012) to also support comfortable everyday living. The Leopalace Service Center in Saitama Prefecture accepts phone inquiries from all over Japan 24 hours a day.

Contributions to the local community / Creation of a favorable work environment

As a member of the local community, we strive to contribute to the community. At the same time, we endeavor to create a work environment in which employees can demonstrate their abilities.

To help in the reconstruction following the Great East Japan Earthquake, in addition to collecting aid in the form of donations, we extended support through the provision of housing—specifically, the construction of temporary housing—as well as private master lease system housing through the application of the Disaster Relief Act, and also offered discounts on rental housing for those affected by the Earthquake.

In addition, we engage in day-to-day activities that contribute to society, such as a "Clean Campaign," in which we take part in local cleanup activities, "Children Emergency Call 110," collaborative action for blood donations, and a "Volunteer Vendor" campaign, in which part of vending machine sales are donated to welfare organizations.

As part of the initiatives for creating a vibrant work environment, we have introduced such systems as "Mental Health Support," "Length-of-Service Awards," and a "Return to Employment System." We are actively providing support for the bearing and raising of children, while promoting both the employment of the disabled (through the establishment of Leopalace Smile Co., Ltd.) and the hiring of seniors. The employment rate for the disabled, at 1.51% on April 1, 2008 (prior to the establishment of Leopalace Smile), rose to 2.05% at the end of March 2012.

● Workplace scene at Leopalace Smile

Realization of a society considerate of the global environment

We aim to undertake corporate activities in a way that reduces the stress on the environment. We also ask our great many apartment tenants, too, for their cooperation in conserving energy and other initiatives.

As an initiative for reducing environmental stress, we offer our overall environmentally friendly "Leco Model" apartments, which meet the demand for clean energy and are equipped with photovoltaic power generation systems, storage batteries, and various other types of energy-saving equipment. We are also promoting the introduction of photovoltaic power generation systems at existing apartments under our management. In addition, we are implementing initiatives to introduce water-saving faucets and water-saving shower heads in the apartments under our management.

● Scene of the installation of photovoltaic power generation system

In addition to the above, as day-to-day initiatives for reducing the environmental stress with our business activities, we implement "Cool Biz" and "Warm Biz" campaigns, make efforts to halt unnecessary engine idling, promote green procurement, and have discontinued the use of disposable chopsticks at directly-managed hotels, among other activities. Through such activities, we contribute to the realization of a society that shows consideration to the global environment.

For details on our CSR activities, please see:
CSR Report (http://www.leopalace21.co.jp/IR/library/csr/index.html)
*Available in Japanese only

Business and Other Risks

Listed below are the principal risks that we believe could affect the Leopalace21 Group's business performance and financial position. However, this list is not all-inclusive and does not cover all the risks that could affect Group businesses. All forward-looking statements included herein reflect the judgment of the Leopalace21 Group management as of the end of the consolidated fiscal term under review.

1. Revenue-related Risk

Leopalace21 apartments are primarily utilized by single persons, and corporate contracts typically involve short-term leases of apartments for use as company dormitories by workers travelling on company business. As a result, changes in the performance of the overall economy and corporate business results could affect employment rates or the demand for business trips, and this could negatively impact occupancy rates at the Company's apartments.

In addition, we have included in our forecasts all contracted orders for apartment construction, however the possibility that the client may not be able to obtain the necessary financing or loans from a financial institution is an important risk factor. Changes in the willingness of financial institutions to provide credit, changes in the assessed value of real estate to be used as collateral, and fluctuations in interest rates could affect Company revenues and adversely affect the Company's business results.

2. Cost of Sales

Based on the Company's apartment construction contract, the Company concludes a master lease agreement with apartment owners to lease back the constructed apartment for a period of time and at a rent level that are both fixed at the time the contract is concluded. Therefore, fluctuations in the amount of rental income received from tenants during the contract period could adversely affect the Company's profitability.

3. Profit

The Leopalace21 Group includes overseas subsidiaries involved in the hotel and resort business, and as a result our business results may be affected by exchange rate fluctuations. Our consolidated subsidiary Leopalace Guam Corporation has borrowed funds in the form of yen-denominated loans from Leopalace21 for the purpose of acquiring facilities and equipment. Because the value of this debt is calculated each year as of the date of account settlement, the Company is subject to foreign exchange gain or loss. Therefore it is possible that future fluctuations in exchange rates could affect the Group's business performance and financial position.

4. Risks Associated with Tangible Fixed Assets and Real Estate Held for Resale

Impairment losses or appraisal losses due to declines in the current market value of marketable securities, property for sale, fixed assets, or other assets could adversely affect the Company's business performance as well as its financial position. Moreover, with regard to the Company's hotel and resort related businesses, there will be a continuing need for regular investments in facility replacement and renewal. As a result, changes in depreciation expenses could have an effect on the Company's business performance.

5. Loan Losses, and Provision for Bad Debt

The Company conducts financing activities, and carries on its books a balance for operating loans receivable comprising apartment construction loans and real estate equity loans. The Company also may guarantee the housing loans and membership fee loans offered to its customers by financial institutions. Apartment and other loans where repayment has become doubtful are accounted for separately as doubtful receivables (tangible), and a provision is made for bad debt in each such case; however, our business results could be affected if amounts of uncollectible debt should increase, or if we should be obliged to honor claims pertaining to these loan guarantees.

6. Reserve for Apartment Vacancy Loss

In order to prepare for a risk of losses due to an increase in apartment vacancies, Leopalace21 has established a "Reserve for apartment vacancy loss" equal to the amount of loss that may be expected to be incurred during a reasonably estimable period. The amount of this reserve is based on the rent levels set for individual leased units, the number of households, and occupancy rate forecasts calculated for each apartment building. Should any of these figures fall below the estimated values it could become necessary to increase the amount of the reserve, and this could adversely affect the results of the Company's leasing business.

7. Leasehold Deposits and Guarantee Deposits

Leopalace21 has long-term deposits from property owners held as an advance for apartment repair and renovation. These consist mainly of deposits received from property owners as a portion of future repair and renovation expenses, following the dissolution of Leopalace21 Owners Mutual Insurance Association. Leopalace21 makes a concerted effort as a leasing business operator to ensure the soundness of the apartment maintenance structure, through which properties fully leased from the owner are operated and maintained. However, an unexpected, large-scale repair or renovation could have an impact on Leopalace21's financial position.

Leopalace21 also has deposits for Leopalace Resort memberships related to the Guam resort business, most of which date to the opening of the resort complex in July 1993. The Leopalace21 Group works to increase member usage by improving facilities and member services, but should there be an unexpected number of requests for reimbursement of these deposits, this could have an impact on Leopalace21's financial position.

8. Financial Covenants

Financial covenants have been set on the numerous loan agreements that Leopalace21 has concluded with financial institutions. Accordingly, should consolidated or non-consolidated net assets, consolidated or non-consolidated interest-bearing debt, non-consolidated operating income fall below the prescribed limits of a financial covenant, there is a possibility that the Company, at the behest of the financial institution, could forfeit the benefit of the term for the subject loan. Further, should the Company violate the conditions of a financial covenant, there is a possibility that the Company could also forfeit the benefit of the term for corporate bonds or other borrowings.

Leopalace21 is improving its business performance through the execution of the business plan, and continually implements to the best of its ability measures to avoid violating these financial covenants and the resulting forfeiture of the benefit of the term. However, should the Company forfeit the benefit of the term for its loans, this could have a major impact on the Company's operating performance.

9. Information Leaks

The Leopalace21 Group holds a great deal of information, including personal information obtained through the consent of, or as a result of non-disclosure agreements with client companies. To control information security, the Company has drawn up the required information security guidelines, and set up a Compliance Committee to thoroughly educate our executive officers and employees about information security issues. Nevertheless, in the unlikely event that a leak of information of some type should occur, there is a possibility that the Group's reputation could be damaged, and that business performance might be affected.

10. Other Risks

The Group is aware that it incurs a variety of risks in the course of promoting its businesses, and it attempts to prevent, distribute or avoid risk whenever possible. Nevertheless, the Group's business performance and financial position may be affected by changes in economic conditions, the real estate market, the financial and stock markets, legal regulations, natural disasters, and a variety of other factors.

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. Operating Environment

During the current fiscal year under review, the Japanese economy showed a gradual recovery trend from the economic slowdown caused by the Great East Japan Earthquake but the downturn in the overseas economy against the backdrop of the European sovereign debt crisis and higher crude oil prices and their impact on foreign exchange rates and share prices means that the outlook for the future remains unclear. In the housing industry, new housing starts during fiscal year 2011 increased by 2.7% year-on-year, but looking at rental housing only, starts fell by 0.7% year-on-year, the third consecutive annual decline.

In this environment, net sales in the construction business recorded a significant decline, due to measures for curbing apartment supply as a result of the shift to the leasing business, but the Leopalace21 Group sought to secure sales in its leasing business by increasing various ancillary revenues. Further, occupancy rates recovered as the result of strengthened corporate sales along with thorough cost cutting measures, which brought the Group its first profit in three years.

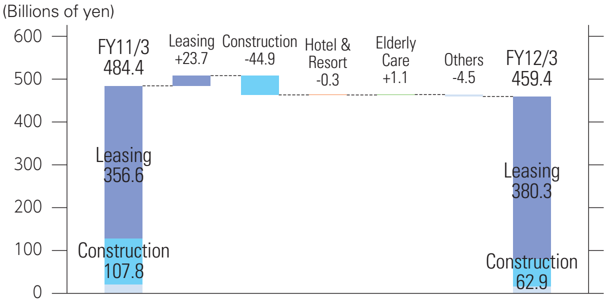
2. Analysis of Business Results

(1) Net Sales

Net sales for the fiscal year under review were ¥459,437 million (down 5.2% year-on-year). In the construction business, net sales came to ¥62,913 million (down 41.7% year-on-year) because of the holding back of apartment construction as a result of the transition to a stock business model. The leasing business has benefited from expanded auxiliary income and the sales of security systems, and reported net sales of ¥380,308 million (up 6.6% year-on-year).

■ Change in net sales

(Billions of yen)



(2) Earnings

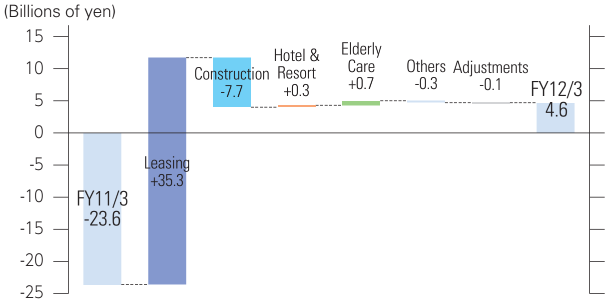
Although net sales decreased, gross profit was ¥55,864 million, (increased ¥19,865 million from the previous fiscal year), operating income came to ¥4,586 million (increased ¥28,193 million from the previous fiscal year), and net income was ¥1,589 million (increased ¥42,478 million from the previous fiscal year) making black for the first time in these three years.

In the leasing business, operating income was ¥5,249 million (compared to operating loss of ¥30,094 million in the previous fiscal year). This was due to a ¥13,398 million reversal in the reserve for apartment vacancy loss (compression of cost of sales) associated with improved occupancy of corporate tenants and cost cutting efforts, etc.

Although the construction business has continuously been striving to tackle cost reduction, such as lowering material procurement costs and review of offices and human resource, etc., it posted an operating profit of ¥4,309 million (down 64.0% year-on-year) in proportion to a reduction in sales.

■ Change in operating income

(Billions of yen)



(3) Segment Information

Leasing Business

The occupancy rate at the end of FY2011 was 83.40% (down 0.29 points from the end of the previous fiscal year), and the average occupancy rate during the fiscal year under review was 81.16% (up 1.07 points year-on-year), enabling us to secure a stable occupancy rate. This is mainly due to strengthening corporate sales, implementing various campaigns, as well as controlling the number of units under management by supplying apartments in areas that are expected to see stable tenant demand.

Corporate occupied units hit the highest record of 219,239 units (up 8.2 points year-on-year).

There were 556,207 units under management at the end of the fiscal year under review (down 15,449 units from last fiscal year). The number of direct offices at the end of this fiscal year was 167 (increasing 3), and the number of franchise offices was 190 (increasing 69).

Construction Business

Orders received during the fiscal year under review were ¥50,019 million (down 37.7% from the previous fiscal year) and the orders received outstanding at the end of the fiscal year under review stood at ¥54,498 million (down 54.7% from the previous fiscal year). This has been the result of controlling the number of units under management by supplying apartments in areas that are expected to see stable tenant demand, putting the top priority on improvements in the earnings structure of the leasing business. Regarding order figures for the fiscal year under review, cancellations during the period were not subtracted from orders received but were recorded after being subtracted from the orders received outstanding. If it is as before, consolidated orders received for the fiscal year under review would have been -¥5,299 million.

On the other hand, we promote sales of "properties managed by their owners" and the installation of solar power systems which will lead to enhancing property values. In addition, we will strengthen construction business profitability through subcontracting for business-use buildings, such as elderly care facilities, offices, and commercial facilities.

Hotel & Resort Business

Net sales in resort facilities in Guam and hotels in Japan were ¥6,228 million (down 4.1% year on year), and the operating loss was ¥1,664 million (increasing ¥311 million in loss)

Elderly Care & Other Businesses

In elderly care, net sales were ¥8,845 million (improving 13.6% year-on-year), and operating loss was ¥855 million (improving ¥655 million).

In other businesses such as the small-claims and short-term insurance business, the finance business and the residential sales business, net sales were ¥1,142 million (down 79.9% year on year), and the operating loss was ¥38 million (compared to operating income amounted to ¥288 million in the previous fiscal year) .

3. Analysis of Financial Position

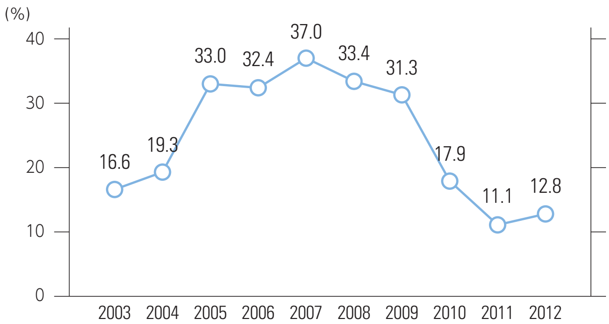
(1) Position of Assets, Liabilities, and Net assets

Total assets at the end of the subject fiscal year declined ¥33,491 million from the end of the previous fiscal year, to ¥264,783 million. This was mainly attributable to decreases in prepaid expenses of ¥4,881 million, buildings and structures of ¥4,075 million, land of ¥2,745 million, and long-term prepaid expenses of ¥15,928 million.

Total liabilities decreased ¥34,281 million from the end of the previous fiscal year, to ¥230,952 million. This primarily reflected an increase in interest-bearing debt of ¥7,796 million, and long-term advances received of ¥7,078 million, and decreases in advances received of ¥18,081 million, reserve for apartment vacancy loss of ¥13,398 million, and lease/guarantee deposits received of ¥16,182 million.

Net assets increased ¥790 million from the end of the previous fiscal year, to ¥33,831 million, chiefly due to an increase of ¥950 million in the negative balance of foreign currency translation adjustments and an increase of ¥1,589 million in retained earnings because of the posting of a net income. The ratio of shareholders' equity to assets rose 1.7 points from the end of the previous fiscal year, to 12.8%.

Equity Ratio



(2) Cash Flow Position

Cash flow from operating activities was a net outflow of ¥3,175 million (a decline of ¥25,162 million net outflow from the last consolidated fiscal year). This was mainly due to a decline of long-term prepaid expenses to ¥20,617 million while the reserve for apartment vacancy loss declined to ¥13,398 million and a decline in guarantee deposits received to ¥16,386 million.

Cash flow from investing activities was a net outflow of ¥3,538 million, (compared to a net inflow of ¥13,144 million in the last consolidated fiscal year). This is mainly due to payment for the purchase of property, plant and equipment and intangible assets of ¥817 million, payments for time deposits of ¥419 million (after deducting revenue from expiring time deposits) and other payments (long-term specified trusts, etc.) of ¥2,289 million.

Cash flow from financing activities was a net inflow of ¥7,245 million (compared to a net outflow of ¥15,891 million in the previous consolidated fiscal year). This is mainly due to net proceeds from borrowing of ¥8,415 million (after deducting loan repayments and redemption of corporate bonds) and repayment of finance lease obligations of ¥1,262 million.

As a result, cash and cash equivalents at the end of the consolidated fiscal year under review was ¥40,878 million, an increase of ¥386 million from the previous consolidated fiscal year.

(3) Events that could have a significant impact on the Company's management

The Leopalace21 Group recorded operating losses and net losses for the previous two consecutive fiscal years but, by steadily implementing management reforms, operating income of ¥4,586 million and net income of ¥1,589 million were recorded for the consolidated fiscal year under review as the foundation has been built for a business structure that can be a stable source of profit for the leasing business, the Group's stock business. As a result of this, it has been judged that the events that could have a significant impact on company management have been resolved.

4. Capital Strategy

On February 27, 2012, issuance of 1st to 3rd series of stock acquisition rights (with option to reset strike price) through third-party allotment was completed (Target Issue Program "TIP"* subject to Issuer's approval for exercise). The allottee is Deutsch Bank AG, London Branch.

Outline of stock acquisition rights (SAR)

	1st	2nd	3rd	Total
SARs issued	14 million	14 million	14 million	42 million
Total issue price	¥3.09 million	¥2.99 million	¥2.89 million	¥8.98 million
Strike price	¥250	¥300	¥350	—
Funds to be raised	¥3.5 billion	¥4.2 billion	¥4.9 billion	¥12.6 billion
Exercise period	3 years	3 years	3 years	3 years
Dilution rate	7.98%	7.98%	7.98%	23.94%

* Target Issue Program "TIP" subject to Issuer's approval for exercise. The Company can set three different strike prices, and issue new shares by stages in accordance with the increase of the Company's share price. The share acquisition rights may not be exercised without the approval of the Company.

* Option to reset strike price: The strike price may be reset by resolution of the Board of Directors of the Company. (The price is reset to 92% of the closing price of the previous business day, with a minimum strike price of ¥150.)

5. Fundamental Policy on the Distribution of Earnings and Dividends

The Leopalace21 Group acknowledges that the distribution of profit to shareholders is an important management issue. However, retained earnings are negative so it is with deep regret that the Group will pass on the term-end dividend. The Group also plans to pass on its dividends for the next fiscal year but will endeavor to recover retained earnings through a stable profit structure with the aim of restoring the dividend.

6. Business and Other Risks

Listed below are the principal risks that we believe could affect the Leopalace21 Group's business performance and financial position. However, this list is not all-inclusive and does not cover all the risks that could affect Group businesses. All forward-looking statements included herein reflect the judgment of the Leopalace21 Group management as of the end of the consolidated fiscal term under review.

(1) Revenue-related Risk

Leopalace21 apartments are primarily utilized by single persons, and corporate contracts typically involve short-term leases of apartments for use as company dormitories by workers travelling on company business. As a result, changes in the performance of the overall economy and corporate business results could affect employment rates or the demand for business trips, and this could negatively impact occupancy rates at the Company's apartments.

In addition, we have included in our forecasts all contracted orders for apartment construction, however the possibility that the client may not be able to obtain the necessary financing or loans from a financial institution is an important risk factor. Changes in the willingness of financial institutions to provide credit, changes in the assessed value of real estate to be used as collateral, and fluctuations in interest rates could affect Company revenues and adversely affect the Company's business results.

(2) Cost of Sales

Based on the Company's apartment construction contract, the Company concludes a master lease agreement with apartment owners to lease back the constructed apartment for a period of time and at a rent level that are both fixed at the time the contract is concluded. Therefore, fluctuations in the amount of rental income received from tenants during the contract period could adversely affect the Company's profitability.

(3) Profit

The Leopalace21 Group includes overseas subsidiaries involved in the hotel and resort business, and as a result our business results may be affected by exchange rate fluctuations. Our consolidated subsidiary Leopalace Guam Corporation has borrowed funds in the form of yen-denominated loans from Leopalace21 for the purpose of acquiring facilities and equipment. Because the value of this debt is calculated each year as of the date of account settlement, the Company is subject to foreign exchange gain or loss. Therefore it is possible that future fluctuations in exchange rates could affect the Group's business performance and financial position.

(4) Risks Associated with Tangible Assets and Real Estate Held for Resale

Impairment losses or appraisal losses due to declines in the current market value of marketable securities, property for sale, fixed assets, or other assets could adversely affect the Company's business performance as well as its financial position. Moreover, with regard to the Company's hotel and resort related businesses, there will be a continuing need for regular investments in facility replacement and renewal. As a result, changes in depreciation expenses could have an effect on the Company's business performance.

(5) Loan Losses, and Provision for Bad Debt

The Company conducts financing activities, and carries on its books a balance for operating loans receivable comprising apartment construction loans and real estate equity loans. The Company also may guarantee the housing loans and membership fee loans offered to its customers by financial institutions. Apartment and other loans where repayment has become doubtful are accounted for separately as doubtful receivables (tangible), and a provision is made for bad debt in each such case; however, our business results could be affected if amounts of uncollectible debt should increase, or if we should be obliged to honor claims pertaining to these loan guarantees.

(6) Reserve for Apartment Vacancy Loss

In order to prepare for a risk of losses due to an increase in apartment vacancies, Leopalace21 has established a "reserve for apartment vacancy loss" equal to the amount of loss that may be expected to be incurred during a reasonably estimable period. The amount of this reserve is based on the rent levels set for individual leased units, the number of households, and occupancy rate forecasts calculated for each apartment building. Should any of these figures fall below the estimated values it could become necessary to increase the amount of the reserve, and this could adversely affect the results of the Company's leasing business.

(7) Leasehold Deposits and Guarantee Deposits

Leopalace21 has long-term deposits from property owners held as an advance for apartment repair and renovation. These consist mainly of deposits received from property owners as a portion of future repair and renovation expenses, following the dissolution of Leopalace21 Owners Mutual Insurance Association. Leopalace21 makes a concerted effort as a leasing business operator to ensure the soundness of the apartment maintenance structure, through which properties fully leased from the owner are operated and maintained. However, an unexpected, large-scale repair or renovation could have an impact on Leopalace21's financial position.

Leopalace21 also has deposits for Leopalace Resort memberships related to the Guam resort business, most of which date to the opening of the resort complex in July 1993. The Leopalace21 Group works to increase member usage by improving facilities and member services, but should there be an unexpected number of requests for reimbursement of these deposits, this could have an impact on Leopalace21's financial position.

(8) Financial Covenants

Financial covenants have been set on the numerous loan agreements that Leopalace21 has concluded with financial institutions. Accordingly, should consolidated or non-consolidated net assets, consolidated or non-consolidated interest-bearing debt, non-consolidated operating income fall below the prescribed limits of a financial covenant, there is a possibility that the Company, at the behest of the financial institution, could forfeit the benefit of the term for the subject loan. Further, should the Company violate the conditions of a financial covenant, there is a possibility that the Company could also forfeit the benefit of the term for corporate bonds or other borrowings.

Leopalace21 is improving its business performance through the execution of the business plan, and continually implements to the best of its ability measures to avoid violating these financial covenants and the resulting forfeiture of the benefit of the term. However, should the Company forfeit the benefit of the term for its loans, this could have a major impact on the Company's operating performance.

(9) Information Leaks

The Leopalace21 Group holds a great deal of information, including personal information obtained through the consent of, or as a result of non-disclosure agreements with client companies. To control information security, the Company has drawn up the required information security guidelines, and set up a Compliance Committee to thoroughly educate our executive officers and employees about information security issues. Nevertheless, in the unlikely event that a leak of information of some type should occur, there is a possibility that the Group's reputation could be damaged, and that business performance might be affected.

(10) Other Risks

The Group is aware that it incurs a variety of risks in the course of promoting its businesses, and it attempts to prevent, distribute or avoid risk whenever possible. Nevertheless, the Group's business performance and financial position may be affected by changes in economic conditions, the real estate market, the financial and stock markets, legal regulations, natural disasters, and a variety of other factors.

CONSOLIDATED BALANCE SHEETS

Leopalace21 Corporation and consolidated subsidiaries
March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
ASSETS			
Current assets:			
Cash and cash equivalents (Notes 2-(2), 4, 5-(2))	**41,478**	40,675	**504,659**
Trade receivables (Note 5-(2))	**4,541**	6,260	**55,253**
Accounts receivable for completed projects (Note 5-(2))	**1,004**	2,118	**12,218**
Operating loans (Note 5-(2))	**2,420**	4,311	**29,438**
Securities (Notes 2-(4), 5-(2), 6)	**10**	—	**122**
Real estate for sale / property inventories (Note 2-(3))	**14**	14	**169**
Real estate for sale in process (Note 11-(c))	**—**	105	**—**
Payment for construction in progress	**620**	587	**7,549**
Raw materials and supplies	**491**	458	**5,979**
Prepaid expenses	**18,998**	23,878	**231,145**
Deferred tax assets (Note 10)	**3,093**	3,713	**37,638**
Other accounts receivable	**1,153**	1,235	**14,025**
Other	**9,687**	11,870	**117,843**
Allowance for doubtful accounts (Note 2-(10))	**(447)**	(1,005)	**(5,434)**
Total current assets	**83,062**	94,219	**1,010,604**
Property, plant and equipment: (Notes 2-(6), 2-(22))			
Buildings and structures (Notes 11-(c), 8)	**106,865**	108,931	**1,300,223**
Accumulated depreciation	**(51,749)**	(49,740)	**(629,622)**
Net (Note 11-(c))	**55,116**	59,191	**670,601**
Land (Notes 11-(c), 8)	**82,106**	84,851	**998,976**
Leased assets (Note 2-(19))	**6,842**	6,238	**83,247**
Accumulated depreciation	**(3,936)**	(2,727)	**(47,886)**
Net	**2,906**	3,511	**35,361**
Construction in progress	**28**	67	**337**
Other (Note 20-(a))	**13,664**	13,893	**166,245**
Accumulated depreciation	**(11,807)**	(11,228)	**(143,656)**
Net	**1,857**	2,665	**22,589**
Total property, plant and equipment	**142,013**	150,285	**1,727,864**
Investments and other assets:			
Intangible assets (Note 2-(8))	**7,080**	7,589	**86,136**
Investment securities (Notes 2-(4), 5-(2), 6, 11-(c))	**6,490**	6,534	**78,959**
Long-term loans (Note 5-(2))	**588**	601	**7,155**
Bad debt (Notes 5-(2), 9)	**2,838**	4,453	**34,525**
Long-term prepaid expenses (Note 2-(9))	**18,295**	34,223	**222,595**
Deferred tax assets (Note 10)	**3,319**	2,269	**40,382**
Bond issuance cost	**62**	76	**752**
Other (Note 11-(c))	**4,426**	3,103	**53,879**
Allowance for doubtful accounts (Notes 2-(10), 5-(2))	**(3,390)**	(5,078)	**(41,250)**
Total investments and other assets	**39,708**	53,770	**483,133**
Total assets (Note 22)	**264,783**	298,274	**3,221,601**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable (Note 5-(2))	**2,791**	2,699	**33,958**
Accounts payable for completed projects (Note 5-(2))	**13,314**	12,634	**161,985**
Short-term borrowings (Notes 5-(2), 11)	**38,904**	22,691	**473,344**
Current portion of long-term debt (Notes 5-(2), 11)	**6,801**	11,811	**82,746**
Bonds due within one year (Note 5-(2))	**560**	560	**6,813**
Lease obligations (Notes 5-(2), 11-(a))	**1,348**	1,230	**16,406**
Accounts payable-other	**14,208**	11,686	**172,869**
Accrued expenses	**5**	4	**65**
Accrued income taxes	**324**	427	**3,944**
Advances received	**79,074**	97,154	**962,082**
Customer advances for projects in progress	**2,957**	4,055	**35,980**
Reserve for warranty obligations on completed projects (Note 2-(13))	**57**	134	**688**
Reserve for fulfillment of guarantees (Note 2-(14))	**391**	136	**4,757**
Reserve for disaster losses (Note 2-(15))	**51**	1,189	**618**
Reserve for switch to terrestrial digital broadcasts (Note 2-(16))	**123**	1,188	**1,491**
Asset retirement obligations (Note 18)	**28**	30	**338**
Other	**5,360**	6,092	**65,225**
Total current liabilities	**166,296**	173,720	**2,023,309**
Non-current liabilities:			
Bonds (Note 5-(2))	**2,040**	2,600	**24,821**
Long-term debt (Notes 5-(2), 7-(2), 11)	**—**	2,228	**—**
Lease obligations (Notes 5-(2), 11-(a))	**2,001**	2,739	**24,345**
Retirement benefit reserves (Notes 2-(11), 13)	**8,041**	7,874	**97,835**
Reserve for apartment vacancy loss (Note 2-(12))	**19,207**	32,605	**233,693**
Lease/guarantee deposits received	**9,854**	26,035	**119,887**
Asset retirement obligations (Note 18)	**50**	48	**612**
Long-term advances received	**21,908**	14,830	**266,558**
Long-term other payable	**9**	1,210	**114**
Other	**1,546**	1,344	**18,803**
Total non-current liabilities	**64,656**	91,513	**786,668**
Total liabilities	**230,952**	265,233	**2,809,977**
Net assets			
Shareholders' equity:			
Common stock: (Note 19) Authorized: 250,000,000 shares Issued: 175,443,915 shares	**56,563**	56,563	**688,196**
Capital surplus	**33,884**	34,334	**412,262**
Retained earnings	**(44,964)**	(46,553)	**(547,069)**
Treasury stock 6,867,850 shares (Note 19)	**(4,959)**	(5,501)	**(60,339)**
Total shareholders' equity	**40,524**	38,843	**493,050**
Accumulated other comprehensive income:			
Net unrealized gains on "other securities" (Note 2-(4))	**249**	204	**3,035**
Deferred gains or losses on hedges	**—**	(3)	**—**
Foreign currency translation adjustments (Note 2-(21))	**(6,969)**	(6,019)	**(84,789)**
Total accumulated other comprehensive income	**(6,720)**	(5,818)	**(81,754)**
Share subscription rights	**27**	16	**328**
Total net assets	**33,831**	33,041	**411,624**
Total liabilities and net assets	**264,783**	298,274	**3,221,601**

CONSOLIDATED STATEMENTS OF OPERATIONS

Leopalace21 Corporation and consolidated subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Net sales (Note 22)	**459,437**	484,391	**5,589,935**
Cost of sales	**403,573**	448,392	**4,910,241**
Gross profit	**55,864**	35,999	**679,694**
Selling, general and administrative expenses	**51,278**	59,606	**623,897**
Operating profit (loss) (Note 22)	**4,586**	(23,607)	**55,797**
Other income (expenses):			
Interest and dividend income	**110**	114	**1,339**
Equity in earnings (loss) of affiliated companies	**(664)**	(268)	**(8,073)**
Foreign exchange losses, net (Note 2-(20))	**(581)**	(5,561)	**(7,064)**
Interest expenses	**(1,375)**	(1,627)	**(16,732)**
Commission fee	**(633)**	(926)	**(7,700)**
Gain on sale of property, plant and equipment (Note 14)	**1**	2,046	**14**
Gain on sale of investment securities	**—**	65	**—**
Gain from cancellation of contracted work	**50**	50	**610**
Gain on bad debt recovered	**418**	—	**5,088**
Gain on adjustment of accounts payable	**411**	—	**5,005**
Rent income	**—**	84	**—**
Reversal of allowance for disaster losses (Note 2-(15))	**320**	—	**3,889**
Reversal of allowance for switch to terrestrial digital broadcasts (Note 2-(16))	**222**	—	**2,697**
Reversal of allowance for doubtful receivables	**—**	254	**—**
Reversal of retirement benefit payable for directors	**1,185**	—	**14,420**
Reversal of allowance for employees' bonuses	**—**	2,605	**—**
Reversal of share subscription rights	**2**	83	**20**
Loss on sale of property, plant and equipment (Note 15)	**(0)**	(15)	**(0)**
Loss on disposal of property, plant and equipment (Note 16)	**(111)**	(101)	**(1,351)**
Impairment loss (Note 8)	**(2,611)**	(2,228)	**(31,764)**
Loss on sale of investment securities	**—**	(173)	**—**
Provision for bad debt	**—**	(356)	**—**
Loss on cancellation of structured deposits	**—**	(754)	**—**
Disaster loss (Note 2-(15))	**(4)**	(1,263)	**(55)**
Expenses for switch to terrestrial digital broadcasts	**—**	(340)	**—**
Provision for switch to terrestrial digital broadcasts (Note 2-(16))	**—**	(1,188)	**—**
Other-net	**26**	(12)	**315**
Income (loss) before income taxes	**1,352**	(33,118)	**16,455**
Income taxes (Note 2-(18))			
Current	**205**	208	**2,498**
Refund	**(13)**	(19)	**(159)**
Deferred	**(429)**	7,583	**(5,217)**
	(237)	7,772	**(2,878)**
Net income (loss)	**1,589**	(40,890)	**19,333**

The accompanying notes are an integral part of these statements.

FINANCIAL SECTION:

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Leopalace21 Corporation and consolidated subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Net income (loss)	**1,589**	(40,890)	**19,333**
Other comprehensive income			
Net unrealized gains on "other securities"	**45**	80	**550**
Foreign currency translation adjustments (Note 2-(21))	**(950)**	939	**(11,564)**
Share of other comprehensive income in affiliates	**3**	2	**40**
Total	**(902)**	1,021	**(10,974)**
Comprehensive income	**687**	(39,869)	**8,359**
Comprehensive income attributable to shareholders of the parent entity	**687**	(39,869)	**8,359**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Leopalace21 Corporation and consolidated subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of yen										
	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on "other securities"	Deferred losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Share subscription rights	Total net assets
Balance as of April 1, 2010	55,641	33,894	(5,663)	(6,143)	77,729	124	(5)	(6,958)	(6,839)	89	70,979
Cash dividend											
Net loss			(40,890)		(40,890)						(40,890)
Issuance of new shares	922	922			1,844						1,844
Purchase of treasury stock				(0)	(0)						(0)
Sales of treasury stock		(482)		642	160						160
Net change of items other than shareholders' equity						80	2	939	1,021	(73)	948
Total change during period	922	440	(40,890)	642	(38,886)	80	2	939	1,021	(73)	(37,938)
Balance as of March 31, 2011	56,563	34,334	(46,553)	(5,501)	38,843	204	(3)	(6,019)	(5,818)	16	33,041
Cash dividend											
Net income			1,589		1,589						1,589
Issuance of new shares											
Purchase of treasury stock				(0)	(0)						(0)
Sales of treasury stock		(450)		543	92						92
Net change of items other than shareholders' equity						45	3	(950)	(902)	11	(891)
Total change during period		(450)	1,589	543	1,681	45	3	(950)	(902)	11	790
Balance as of March 31, 2012	56,563	33,884	(44,964)	(4,959)	40,524	249	—	(6,969)	(6,720)	27	33,831

	Thousands of U.S. dollars (Note 1)										
	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on "other securities"	Deferred losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Share subscription rights	Total net assets
Balance as of March 31, 2011	688,196	417,743	(566,402)	(66,943)	472,594	2,485	(40)	(73,226)	(70,781)	194	402,007
Cash dividend											
Net profit			19,333		19,333						19,333
Issuance of new shares											
Purchase of treasury stock				(0)	(0)						(0)
Sales of treasury stock		(5,480)		6,604	1,123						1,124
Net change of items other than shareholders' equity						550	40	(11,564)	(10,973)	134	(10,840)
Total change during period		(5,480)	19,333	6,604	20,456	550	40	(11,564)	(10,973)	134	9,617
Balance as of March 31, 2012	688,196	412,262	(547,069)	(60,339)	493,050	3,035	—	(84,789)	(81,754)	328	411,624

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Leopalace21 Corporation and consolidated subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Cash flows from operating activities:			
Income (loss) before income taxes	**1,352**	(33,118)	**16,455**
Depreciation	**6,047**	6,451	**73,572**
Increase (decrease) in allowance for doubtful accounts	**329**	386	**4,002**
Increase (decrease) in reserve for apartment vacancy loss	**(13,398)**	877	**(163,014)**
Increase (decrease) in retirement benefit payable for directors	**(1,185)**	—	**(14,420)**
Increase (decrease) in allowance for disaster losses	**(819)**	—	**(9,965)**
Increase (decrease) in allowance for switch to terrestrial digital broadcasts	**(844)**	—	**(10,270)**
Interest and dividend income	**(110)**	(114)	**(1,339)**
Interest expense	**1,375**	1,627	**16,732**
Foreign exchange loss (gain)	**581**	5,561	**7,064**
Equity in losses (earnings) of affiliated companies	**664**	268	**8,073**
Loss (gain) on sale of property, plant and equipment	**(1)**	(2,031)	**(13)**
Loss on disposal of property, plant and equipment	**111**	101	**1,351**
Impairment loss	**2,611**	2,228	**31,764**
Disaster loss	**4**	1,263	**55**
Reversal of allowance for disaster losses	**(320)**	—	**(3,889)**
Expense for switch to terrestrial digital broadcasts	**—**	340	**—**
Provision for switch to terrestrial digital broadcasts	**—**	1,188	**—**
Reversal of allowance for switch to terrestrial digital broadcasts	**(222)**	—	**(2,697)**
Loss (gain) on sale of investment securities	**—**	109	**—**
Decrease (increase) in accounts receivable	**3,867**	7,821	**47,053**
Decrease (increase) in real estate for sale	**105**	3,837	**1,272**
Decrease (increase) in payment for construction in progress	**(33)**	550	**(407)**
Decrease (increase) in long-term prepaid expenses	**20,617**	20,253	**250,841**
Increase (decrease) in accounts payable	**3,483**	(31,706)	**42,380**
Increase (decrease) in customer advances for projects in progress	**(1,098)**	(5,370)	**(13,361)**
Increase (decrease) in advances received	**(11,006)**	13,441	**(133,915)**
Increase (decrease) in guarantee deposits received	**(16,386)**	(19,692)	**(199,362)**
Increase (decrease) in accrued consumption taxes	**(1,081)**	2,518	**(13,153)**
Other	**4,135**	(1,992)	**50,326**
Subtotal	**(1,222)**	(25,204)	**(14,865)**
Interest and dividends received	**98**	113	**1,192**
Interest paid	**(1,483)**	(1,617)	**(18,041)**
Income taxes paid	**(568)**	(1,629)	**(6,911)**
Net cash used in operating activities	**(3,175)**	(28,337)	**(38,625)**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Cash flows from investing activities:			
Payment for purchase of property, plant and equipment	**(579)**	(1,354)	**(7,040)**
Proceeds from sale of property, plant and equipment	**13**	12,742	**155**
Payment for purchase of intangible assets	**(238)**	(1,897)	**(2,898)**
Payment for purchase of investment securities	**(111)**	(20)	**(1,349)**
Proceeds from sale of investment securities	**61**	993	**742**
Payment for loans	**(34)**	(69)	**(411)**
Proceeds from collection of loans	**59**	218	**714**
Payments for purchase of time deposits	**(800)**	(3,713)	**(9,734)**
Proceeds from withdrawal of time deposits	**381**	6,575	**4,632**
Other	**(2,290)**	(331)	**(27,855)**
Net cash provided by (used in) investing activities	**(3,538)**	13,144	**(43,044)**
Cash flows from financing activities:			
Proceeds from short-term borrowings	**16,839**	16,500	**204,879**
Repayment of short-term borrowings	**(625)**	(3,529)	**(7,610)**
Repayment of long-term debt	**(7,238)**	(29,003)	**(88,067)**
Repayment of finance lease obligations	**(1,262)**	(1,198)	**(15,352)**
Payment for redemption of bonds	**(560)**	(560)	**(6,813)**
Proceeds from issuance of common stock	**—**	1,741	**—**
Proceeds from sales of treasury stock	**91**	158	**1,117**
Payment for purchases of treasury stock	**(0)**	(0)	**(0)**
Net cash provided by (used in) financing activities	**7,245**	(15,891)	**88,154**
Effect of exchange rate changes on cash and cash equivalents	**(147)**	(456)	**(1,791)**
Net increase (decrease) in cash and cash equivalents	**386**	(31,540)	**4,694**
Cash and cash equivalents at beginning of year	**40,492**	72,032	**492,665**
Cash and cash equivalents at end of year (Note 4)	**40,878**	40,492	**497,359**

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leopalace21 Corporation and consolidated subsidiaries
For the years ended March 31, 2012 and 2011

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Leopalace21 Corporation (the "Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been reformatted and translated into English (with certain expanded disclosure) from the consolidated financial statements of the Company prepared in accordance with accounting principles generally accepted in Japan and filed with the Financial Services Agency as required by the Financial Instruments and Exchange Act of Japan. Some supplementary information included in the statutory consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2012, which was ¥82.19 to U.S.$1.00. Such translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange. Certain amounts in the prior year's financial statements have been reclassified to conform to the current fiscal year's presentation.

2. Summary of Significant Accounting Policies

(1) Consolidation

The accompanying consolidated financial statements as of March 31, 2012 include the accounts of the Company and its 9 (9 as of March 31, 2011) significant subsidiaries (together, the "Companies"). Affiliated companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. Investments in 2 affiliates (1 affiliate for the year ended March 31, 2011) have been included for the year ended March 31, 2012. All significant intercompany balances and transactions have been eliminated.

Investments in subsidiaries and affiliates that are not consolidated or accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

Since the fiscal year end for certain consolidated subsidiaries is December 31, their financial statements as of that date are used in the preparation of the Company's consolidated financial statement. When significant transactions occur at those subsidiaries between their fiscal year end and the Company's fiscal year end, these transactions are included in consolidation as necessary.

(2) Cash and cash equivalents

For the purpose of the statements of cash flows, the Company considers all highly liquid investments with insignificant risk of change in value that have maturities of generally three months or less when purchased to be cash equivalents. These include cash on hand, demand deposits at banks and highly liquid short-term investments with negligible risk of fluctuation in value and maturities of less than three months.

(3) Inventories

Inventories of the Companies are primarily stated at cost (reflecting write down due to decline in profitability) determined by the specific identification method.

(4) Securities

Held-to-maturity debt securities are stated at amortized cost (straight-line method).

Other securities with available fair market values are stated at fair market value at the end of the fiscal year of each consolidated companies. Other securities without available fair market values are stated at cost by the moving-average method.

Unrealized gains or losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Cost of securities sold is computed using the moving-average method.

Investments in limited investment partnerships are reported using the equity method, based on the latest financial statements available as at the closing dates stipulated by the respective partnership contracts.

(5) Derivatives

Derivative transactions are accounted for using hedge accounting.

1. Hedge accounting method

   The Company uses the deferred hedge accounting method.

   The interest rate swaps that meet specific matching criteria are recognized and included in interest expense or income.

2. Hedging method and hedge targets

Hedging method	Hedge targets
Interest rate swaps	Debt

3. Hedge policy

   Interest rate swaps are utilized as a hedge against possible future interest rate increases, in amounts that fall within the range of the particular liability being hedged.

4. Method used to evaluate the effectiveness of the hedge

   Cumulative interest rate fluctuations and changes in cash flows are compared to evaluate the effectiveness of hedge targets and hedge methods. However, evaluation as of the date of settlement of the effectiveness of interest rate swaps that meet specific matching criteria is omitted.

(6) Property, plant and equipment (except for leased assets)

Buildings for rent of the Company and domestic consolidated subsidiaries are stated at cost. Depreciation is computed generally on the straight-line basis. The range of useful lives is principally from 22 to 47 years for buildings for rent.

Property, plant and equipment other than buildings for rent of the Company and domestic consolidated subsidiaries are stated at cost. Depreciation is computed generally by the declining-balance method. However, buildings (excluding accompanying facilities) obtained on or after April 1, 1998 are depreciated by the straight-line method. The range of useful lives is principally from 40 to 50 years for buildings and structures and 5 years for machinery and equipment.

Property, plant and equipment of the consolidated overseas subsidiaries are depreciated by the straight-line method based on the local GAAP. The range of useful lives is principally from 30 to 40 years for buildings and structures and from 3 to 5 years for machinery and equipment.

(7) Long-lived assets

The Companies review long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeded the sum of the undiscounted future cash flows expected to be generated by the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the assets exceeds their recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the assets, or the net selling price at disposition.

(8) Intangible assets

Software for internal use is amortized on a straight-line basis over the estimated useful life of 5 years.

(9) Long-term prepaid expenses

Long-term prepaid expenses are amortized evenly over a period mainly from 3 to 5 years.

(10) Allowance for doubtful accounts

The Companies maintain an allowance for doubtful accounts to reserve for potentially uncollectible receivables. A general provision for doubtful receivables is provided by applying a certain reserve percentage of the receivables based on experience from past transactions. A specific reserve is provided for the estimated amounts to be uncollectible based on the customers' financial condition or other pertinent factors.

(11) Retirement benefit reserves

Retirement benefit reserves for employees are provided based on the retirement benefit obligation as of the balance sheet date.

Unrecognized actuarial gain or loss is to be amortized on the straight-line basis over 5 years from the following year when the gain or loss is incurred, which is shorter than the average remaining years of service of the eligible employees.

Prior service cost is amortized by the straight-line method over 5 years, which is shorter than the average remaining years of service of the eligible employees.

Some domestic consolidated subsidiaries calculate retirement benefit reserves based on the simplified method.

(12) Reserve for apartment vacancy loss

Reserve for vacancy losses on apartment units managed under master lease agreements is calculated according to the projected loss that could occur during a logically predictable period to prepare for the risk of increased vacancies. It is based on estimated losses resulting from current rental income and expected future occupancy rates for each rental property managed by the leasing division of the Company.

(13) Reserve for warranty obligations on completed projects

Reserve for warranty obligations on completed projects is provided to reserve for execution of warranty obligations under defect liabilities in the future. It is calculated using the percentage of the past execution of warranty obligations on the completed projects.

(14) Reserve for fulfillment of guarantees

In order to provide for losses attributable to its lease guarantee business, the Company's consolidated subsidiary, Plaza Guarantee Co., Ltd., records the amount of loss expected based on the rate of past guarantee fulfillments.

(15) Reserve for disaster losses

In order to provide for restoration costs and other losses stemming from the Great East Japan Earthquake, the Company records the anticipated amount for such losses.

Reserve for disaster loss amounting to ¥320 million ($3,889 thousand) out of ¥1,189 million, which was reserved in the previous year, was reversed in the year ended March 31, 2012.

(16) Reserve for switch to terrestrial digital broadcasts

The estimated cost of purchasing applicable equipment is provided for expenditures resulting from the switchover to terrestrial digital broadcasts.

Reserve for switch to terrestrial digital broadcasts amounting to ¥222 million ($2,697 thousand) was reversed in the year ended March 31, 2012.

(17) Revenues and costs of construction contracts

In recognizing construction revenues and costs of constructions in process, the percentage-of-completion method is applied to such contracts in which the outcome of the construction activity is deemed certain by the end of the fiscal year ended March 31, 2012, while the completed contract method is applied to other constructions. Progress of construction is estimated based on the method of the ratio of actual cost incurred to total cost.

(18) Income taxes

Income taxes comprise corporate, inhabitant and enterprise taxes.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(19) Leases

Finance leases that are deemed to transfer ownership of leased property to the lessee (excluding leases that existed on or before March 31, 2008) are accounted for in a manner similar to sales transactions and depreciated by the straight-line method over the lease-term of respective assets as their useful lives with no residual value.

Any finance lease transactions executed before March 31, 2008, where ownership of the leased assets is not transferred to the lessee, are accounted for as operating lease transactions.

(20) Foreign currency transactions

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of each balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of operations.

(21) Foreign currency financial statements

The assets and liabilities of consolidated overseas subsidiaries are translated into Japanese yen at the current exchange rates as of each balance sheet date, and income and expenses are translated at the average exchange rates of the fiscal year. Foreign currency translation adjustments resulting from the translation of assets, liabilities and net assets are included in translation adjustments as a separate component of net assets.

(22) Interest capitalization

Leopalace Guam Corporation, a consolidated subsidiary, capitalized interest paid on borrowing for real estate development business for the development period into acquisition cost of property, plant and equipment.

Capitalized interests included in carrying value of property, plant and equipment were ¥1,588 million ($19,315 thousand) and ¥1,709 million as of March 31, 2012 and 2011, respectively.

(23) Consumption taxes

National and local consumption taxes are basically excluded from transaction amounts. However, LEOPALACE SSI, a consolidated subsidiary, includes national and local consumption taxes in operating expenses and general and administrative expenses. The nondeductible portion of consumption taxes on the purchase of assets is recorded as long-term prepaid expenses and amortized evenly over 5 years.

(24) Earnings per share

Basic earnings per share of common stock is computed by net income available to common shareholders divided by the weighted-average number of common shares outstanding for the period.

Diluted earnings per share of common stock reflects the potential dilution that could occur if securities or other contracts to issue common stock were converted or exercised into common stock or resulted in the issuance of common stock.

3. Additional Information

Application of Accounting Standards for Accounting Changes and Error Corrections

From the beginning of the current fiscal year under review, the Company has applied "Accounting Standards for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and "Guidance on the Accounting Standards for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009) to accounting changes and the correction of past errors on and after April 1, 2011.

4. Cash and Cash Equivalents

A reconciliation between cash and cash equivalents in the consolidated balance sheets and consolidated statements of cash flows are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Cash and cash equivalents in the consolidated balance sheets	**41,478**	40,675	**504,659**
Time deposits with original maturities of more than three months	**(600)**	(183)	**(7,300)**
Cash and cash equivalents in the consolidated statements of cash flows	**40,878**	40,492	**497,359**

5. Financial Instruments

(1) The financial instruments and related disclosures

1)Policy for financial instruments

The Companies are mainly involved in raising funds (mostly bank borrowing and corporate bond issuance) needed for capital investment to carry out Leasing Business and Construction Business. Temporary excess funds are invested in highly secure financial assets, and short-term working capital is raised by borrowing from the bank. The Companies conduct derivative transactions primarily for the purpose of avoiding the below mentioned risk, and has a policy not to conduct speculative trading.

2)Nature and extent of risks arising from financial instruments

Operating receivables such as trade receivables and accounts receivable for completed projects are exposed to credit risk.

Foreign currency denominated loans originated in conjunction with overseas business development are exposed to exchange risk.

Securities are mainly held-to-maturity securities and shares of the companies with which the Company has a business relationship, and those securities are exposed to market risk.

Almost all accounts payable and accounts payable for completed projects which are operating liabilities are scheduled to be paid within one year.

Loans payable, corporate bonds, and lease obligations related to finance lease transactions are mainly for the purpose of raising funds necessary for investment in facilities, and the longest repayment date is six years subsequent to fiscal year end.

Derivative transactions are interest rate swaps whose purpose is to hedge against the risk of future interest rate fluctuations related to loans payable. The interest rate swaps carry a risk of fluctuations in market interest rates.

For details of hedging method, hedge targets, hedging policy and the method for evaluating hedging effectiveness concerning hedge accounting, please refer to aforementioned "2. Summary of Significant Accounting Policies, (5) Derivatives."

3)Risk management for financial instruments

Credit risk management for operating receivables and loans outstanding follows the "Receivables management rules." While each business division manages the extension of credit to its customers, it is also organized for early detection and loss reduction of accounts where collection is doubtful due to worsening credit or similar problems.

Regarding securities and investment securities, the Company periodically investigates and understands the share price and the financial condition of the share issuing organization. In addition, for items other than held-to-maturity securities, the Company considers the relationship with the trading partner companies and constantly re-evaluates its holdings.

The basic policy of derivatives trading is determined by the board of directors, and the execution and administration of derivatives transactions are conducted in accordance with the Company's "Derivatives Trading Management Rules." The derivatives trading management situation is periodically reported to the board of directors for comprehensive risk management. Furthermore, the contracted counterparty to derivative trades is always a highly credit worthy Japanese financial institution, so it can be recognized that the risk of contract breach by the other party is close to zero.

Trade payables and debts are exposed to liquidity risk, but this risk is monitored by various means such as the preparation of a monthly financial plan by each company in the Companies.

4) Supplementary explanations on fair value of financial instruments

Fair value of financial instruments are measured based on the quoted market price, or reasonably assessed value if a quoted market price is not available.

Fair value of financial instruments which quoted market price is not available is calculated based on a fluctuating factor, and the value might differ if different assumptions are used.

In addition, the contract amount of the derivative transactions described in "7. Derivative Transactions" does not represent the market risk of the derivative transactions.

(2) Fair value of financial instruments

The carrying amount on the consolidated balance sheet and fair value of financial instruments as of March 31, 2012 and 2011 as well as the differences between these values are described below. Financial instruments whose fair values appear to be extremely difficult to determine are not included in the table. (See (Note 2))

	Millions of yen		
March 31, 2012	Carrying value	Fair value	Difference
(1) Cash and cash equivalents	41,478	41,478	—
(2) Trade receivables and accounts receivable for completed projects	5,545	5,545	—
(3) Securities and investment securities	3,329	3,338	9
(4) Operating loans	2,420		
Allowance for doubtful accounts (*1)	(127)		
Net	2,293	2,557	264
(5) Long-term loans	588		
Allowance for doubtful accounts (*1)	(96)		
Net	492	492	—
(6) Bad debt	2,838		
Allowance for doubtful accounts (*1)	(2,698)		
Net	140	140	—
Total assets	53,277	53,550	273
(1) Accounts payable and accounts payable for completed projects	16,105	16,105	—
(2) Short-term borrowings	38,904	38,904	—
(3) Bonds (*2)	2,600	2,607	7
(4) Current portion of long-term debt	6,801	6,800	(1)
(5) Lease obligations	3,349	3,299	(50)
Total liabilities	67,759	67,715	(44)
Derivatives transactions	—	—	—

March 31, 2011	Millions of yen		
	Carrying value	Fair value	Difference
(1) Cash and cash equivalents	40,675	40,675	—
(2) Trade receivables and accounts receivable for completed projects	8,378	8,378	—
(3) Investment securities	2,702	2,713	11
(4) Operating loans	4,311		
Allowance for doubtful accounts (*1)	(713)		
Net	3,598	4,318	720
(5) Long-term loans	601		
Allowance for doubtful accounts (*1)	(119)		
Net	482	482	—
(6) Bad debt	4,453		
Allowance for doubtful accounts (*1)	(4,441)		
Net	12	12	—
Total assets	55,847	56,578	731
(1) Accounts payable and accounts payable for completed projects	15,333	15,333	—
(2) Short-term borrowings	22,691	22,691	—
(3) Bonds (*2)	3,160	3,140	(20)
(4) Long-term debt (*2)	14,039	14,029	(10)
(5) Lease obligations	3,969	3,864	(105)
Total liabilities	59,192	59,057	(135)
Derivatives transactions	—	—	—

March 31, 2012	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
(1) Cash and cash equivalents	**504,659**	**504,659**	**—**
(2) Trade receivables and accounts receivable for completed projects	**67,471**	**67,471**	**—**
(3) Securities and investment securities	**40,506**	**40,616**	**110**
(4) Operating loans	**29,438**		
Allowance for doubtful accounts (*1)	**(1,539)**		
Net	**27,899**	**31,112**	**3,213**
(5) Long-term loans	**7,155**		
Allowance for doubtful accounts (*1)	**(1,169)**		
Net	**5,986**	**5,986**	**—**
(6) Bad debt	**34,526**		
Allowance for doubtful accounts (*1)	**(32,828)**		
Net	**1,698**	**1,698**	**—**
Total assets	**648,219**	**651,542**	**3,323**
(1) Accounts payable and accounts payable for completed projects	**195,943**	**195,943**	**—**
(2) Short-term borrowings	**473,344**	**473,344**	**—**
(3) Bonds (*2)	**31,634**	**31,722**	**88**
(4) Current portion of long-term debt	**82,746**	**82,733**	**(13)**
(5) Lease obligations	**40,752**	**40,146**	**(606)**
Total liabilities	**824,419**	**823,888**	**(531)**
Derivatives transactions	**—**	**—**	**—**

(*1) Operating loans, long-term loans and bad debts have deductions of their respective allowance for doubtful accounts, which are recorded separately.

(*2) Current portion of long-term debt (¥11,811 million) and bonds due within one year (¥560 million) in the consolidated balance sheets as of March 31, 2011, are included in long-term debt and bonds. Also, bonds due within one year (¥560 million, $6,813 thousand) in the consolidated balance sheets as of March 31, 2012, is included in bonds.

Notes:

1) Matters concerning the calculation method for the fair value of financial instruments, and securities and derivatives transactions

Assets

Cash and cash equivalents
Trade receivables and accounts receivable for completed projects

These assets are stated at carrying amount as they are settled in the short-term and their fair values approximate their carrying amount.

Securities and investment securities

Shares are stated at the stock exchange quoted price; bonds are stated at either the stock exchange quoted price or the price presented by transacting financial institutions.

For notes to securities by holding purposes, please refer to "6. Securities."

Operating loans

The fair value of operating loans is stated at the net present value, which is calculated by discounting the principal with interest by the discount rate (i.e. the estimated interest rate for new transaction).

Long-term loans
Bad debt

The fiscal year-end outstanding balances are calculated mainly using expected future cash flows of the potentially recoverable principal and interest.

Liabilities

Accounts payable and accounts payable for completed projects

These liabilities are stated at carrying amount as they are settled in the short-term and their fair values approximate their carrying amount.

Short-term borrowings
Long-term debt, Current portion of long-term debt
Lease obligations

These liabilities are stated at the net present value, which is calculated by discounting the principal with interest by the discount rate (i.e. the estimated interest rate for new borrowings or lease transaction).

Bonds

Bonds issued by the Company are privately offered, and their fair value is stated at the net present value, which is calculated by discounting the principal with interest by the discount rate (i.e. the current market interest rate in consideration of residual value and credit risk).

Derivatives transactions

Please refer to "7. Derivatives Transactions" below.

2) Financial instruments whose fair value appear to be extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars
Item	**2012**	2011	**2012**
Unlisted shares	**1,198**	1,848	**14,571**
Unlisted bonds (subordinate corporate bonds)	**824**	824	**10,029**
Subordinate beneficiary rights of loans and accounts receivable in trust	**903**	907	**10,988**
Contributions to limited investment partnerships	**245**	253	**2,987**
Total	**3,170**	3,832	**38,575**

As they have no market value, and as it is understood that it is extremely difficult to estimate their future cash flow, the above financial instruments are not included in "Assets: (3) Securities and investment securities."

3) The scheduled redemption amount of monetary claims and investment securities with maturity subsequent to fiscal year end

	Millions of yen			
March 31, 2012	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	**41,478**	—	—	—
Trade receivables and accounts receivable for completed projects	**5,546**	—	—	—
Securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds	—	**800**	—	—
(2) Corporate bonds	—	—	—	—
Other securities with maturities				
(1) Government and municipal bonds	**10**	**1,151**	**544**	—
(2) Bonds				
(Corporate bonds)	—	—	—	**824**
(3) Others	—	**246**	—	**903**
Operating loans	**358**	**1,166**	**815**	**80**
Long-term loans	**22**	**64**	**23**	**479**
Bad debts	—	—	—	**2,838**
Total	**47,414**	**3,427**	**1,382**	**5,124**

March 31, 2011	Millions of yen			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	40,675	—	—	—
Trade receivables and accounts receivable for completed projects	8,378	—	—	—
Investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds	—	700	—	—
(2) Corporate bonds	—	—	—	—
Other securities with maturities				
(1) Government and municipal bonds	—	599	545	—
(2) Bonds				
(Corporate bonds)	—	—	—	824
(3) Others	—	252	—	907
Operating loans	513	1,693	1,466	639
Long-term loans	17	57	24	503
Bad debts	—	—	—	4,453
Total	49,583	3,301	2,035	7,326

March 31, 2012	Thousands of U.S. dollars			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	**504,659**	**—**	**—**	**—**
Trade receivables and accounts receivable for completed projects	**67,471**	**—**	**—**	**—**
Securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds	**—**	**9,734**	**—**	**—**
(2) Corporate bonds	**—**	**—**	**—**	**—**
Other securities with maturities				
(1) Government and municipal bonds	**122**	**14,004**	**6,619**	**—**
(2) Bonds				
(Corporate bonds)	**—**	**—**	**—**	**10,029**
(3) Others	**—**	**2,987**	**—**	**10,988**
Operating loans	**4,361**	**14,182**	**9,916**	**979**
Long-term loans	**266**	**790**	**277**	**5,823**
Bad debts	**—**	**—**	**—**	**34,525**
Total	**576,879**	**41,697**	**16,812**	**62,344**

6. Securities

(a) At March 31, 2012 and 2011, information with respect to held-to-maturity debt securities for which market prices were available was summarized as follows:

	Millions of yen		
March 31, 2012	Carrying value	Market value	Unrecognized gain
Unrecognized gain items:			
Government and municipal bonds	**800**	**809**	**9**
Corporate bonds	**—**	**—**	**—**
Others	**—**	**—**	**—**
Subtotal	**800**	**809**	**9**
Unrecognized loss items:			
Government and municipal bonds	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**
Others	**—**	**—**	**—**
Subtotal	**—**	**—**	**—**
Total	**800**	**809**	**9**

	Millions of yen		
March 31, 2011	Carrying value	Market value	Unrecognized gain
Unrecognized gain items:			
Government and municipal bonds	700	710	10
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	700	710	10
Unrecognized loss items:			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	—	—	—
Total	700	710	10

	Thousands of U.S. dollars		
March 31, 2012	Carrying value	Market value	Unrecognized gain
Unrecognized gain items:			
Government and municipal bonds	**9,733**	**9,843**	**110**
Corporate bonds	**—**	**—**	**—**
Others	**—**	**—**	**—**
Subtotal	**9,733**	**9,843**	**110**
Unrecognized loss items:			
Government and municipal bonds	**—**	**—**	**—**
Corporate bonds	**—**	**—**	**—**
Others	**—**	**—**	**—**
Subtotal	**—**	**—**	**—**
Total	**9,733**	**9,843**	**110**

(b) Investment securities classified as other securities as of March 31, 2012 and 2011 were as follows:

	Millions of yen		
March 31, 2012	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	**773**	**447**	**326**
Bonds:			
Government and municipal bonds	**1,431**	**1,407**	**24**
Corporate bonds	**—**	**—**	**—**
Others	**—**	**—**	**—**
Others	**75**	**71**	**4**
Subtotal	**2,279**	**1,925**	**354**
Securities whose acquisition cost exceeds their carrying value:			
Stock	**13**	**13**	**—**
Bonds:			
Government and municipal bonds	**237**	**237**	**(0)**
Corporate bonds	**—**	**—**	**—**
Others	**—**	**—**	**—**
Others	**—**	**—**	**—**
Subtotal	**250**	**250**	**(0)**
Total	**2,529**	**2,175**	**354**

	Millions of yen		
March 31, 2011	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	831	447	384
Bonds:			
Government and municipal bonds	728	721	7
Corporate bonds	—	—	—
Others	—	—	—
Others	75	71	4
Subtotal	1,634	1,239	395
Securities whose acquisition cost exceeds their carrying value:			
Stock	12	13	(1)
Bonds:			
Government and municipal bonds	357	360	(3)
Corporate bonds	—	—	—
Others	—	—	—
Others	—	—	—
Subtotal	369	373	(4)
Total	2,003	1,612	391

March 31, 2012	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	**9,410**	**5,439**	**3,971**
Bonds:			
Government and municipal bonds	**17,415**	**17,117**	**298**
Corporate bonds	**—**	**—**	**—**
Others	**—**	**—**	**—**
Others	**907**	**863**	**44**
Subtotal	**27,732**	**23,419**	**4,313**
Securities whose acquisition cost exceeds their carrying value:			
Stock	**158**	**158**	**—**
Bonds:			
Government and municipal bonds	**2,883**	**2,885**	**(2)**
Corporate bonds	**—**	**—**	**—**
Others	**—**	**—**	**—**
Others	**—**	**—**	**—**
Subtotal	**3,041**	**3,043**	**(2)**
Total	**30,773**	**26,462**	**4,311**

(Note)

March 31, 2012

¥1,198 million ($14,571 thousand) of non-listed shares, ¥824 million ($10,029 thousand) of non-listed bonds (subordinate corporate bonds), ¥903 million ($10,988 thousand) of subordinate beneficiary rights to loans and money in trust, and ¥246 million ($2,987 thousand) of contributions to investment business limited partnerships are not included in the other securities given above because they have no market value and assigning them fair market prices is recognized to be extremely difficult.

March 31, 2011

¥1,848 million of non-listed shares, ¥824 million of non-listed bonds (subordinate corporate bonds), ¥907 million of subordinate beneficiary rights to loans and money in trust, and ¥252 million of contributions to investment business limited partnerships are not included in the other securities given above because they have no market value and assigning them fair market prices is recognized to be extremely difficult.

Among the above items, non-listed bonds (subordinate corporate bonds) and subordinate beneficiary rights to loans and money in trust were acquired by the Company in conjunction with the securitization of nonexempt property type apartment loans, the financing executed primarily as contract work fee payment loans from financial institutions to the Company.

(c) Proceeds from sales of other securities and gain or loss on these sales for the years ended March 31, 2012 and 2011 were summarized as follows:

March 31, 2012

None

March 31, 2011	Millions of yen		
	Proceeds from sale	Gains	Losses
Stock	78	30	1
Bonds:			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	258	—	87
Others	192	35	33
Total	528	65	121

(d) Proceeds from sales of held-to-maturity debt securities for the year ended March 31, 2012 and 2011 were as follows:

March 31, 2012

None

March 31, 2011	Millions of yen		
	Cost of sale	Proceeds from sale	Gain (loss)
Others (Structured bonds)	200	148	(52)
Reasons for sale	Change in management policy of surplus funds		

(e) In addition, investment in affiliates included in investment securities of the consolidated balance sheet was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Investment securities (stocks)	**94**	744	**1,141**

7. Derivative Transactions

(1) Derivatives transaction not subject to the application of hedge accounting

Not applicable.

(2) Derivatives transactions subject to the application of hedge accounting

Interest rate-related derivatives

March 31, 2012

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen		
			Contract amount	Amount of more than 1 year-period contracts	Fair value
Exceptional accounting treatments applied to interest rate swaps	**Interest rate swaps - pay fixed interest and received floating interest**	**Current portion of long-term debt**	**831**	**—**	**(Note)**

March 31, 2011

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen		
			Contract amount	Amount of more than 1 year-period contracts	Fair value
Exceptional accounting treatments applied to interest rate swaps	Interest rate swaps - pay fixed interest and received floating interest	Long-term debt	1,719	831	(Note)

March 31, 2012

Hedge accounting method	Type of derivatives	Major hedged items	Thousands of U.S. dollars		
			Contract amount	Amount of more than 1 year-period contracts	Fair value
Exceptional accounting treatments applied to interest rate swaps	**Interest rate swaps - pay fixed interest and received floating interest**	**Current portion of long-term debt**	**10,111**	**—**	**(Note)**

(Note)

Interest rate swaps subject to the application of exceptional accounting treatments are recognized together with hedged items (i.e. long-term debt), therefore their fair value are included in the fair value of the relevant long-term debt or current portion of long-term debt.

8. Long-lived Assets

The Companies recognized impairment loss on the following asset groups for the years ended March 31, 2012 and 2011:

March 31, 2012

Purpose	Category	Location	Impairment loss	
			Millions of yen	Thousands of U.S. dollars
Rental assets (Apartment buildings and others, 142 units)	Buildings and structures	Meguro-ku, Tokyo, etc.	**156**	**1,895**
	Land		**2,452**	**29,830**
Assets to be disposed	Buildings and structures	Nakano-ku, Tokyo	**2**	**22**
	Others (equipment)		**1**	**17**
Total			**2,611**	**31,764**

March 31, 2011

Purpose	Category	Location	Impairment loss
			Millions of yen
Rental assets (Apartment buildings and others, 108 units)	Buildings and structures	Setagaya-ku, Tokyo, etc.	297
	Land		1,793
Hotel	Land	Sapporo city, Hokkaido	40
Idle assets (Training facilities and others, 2 units)	Buildings and structures	Miura city, Kanagawa, etc.	58
	Land		40
Total			2,228

The Companies recognized each property in domestic rental assets as a unit and grouped overseas assets by managerial accounting segmentation.

The Companies wrote down book value of the rental assets whose profitability decreased seriously due to the slump in the rental income market and continuous decline in land prices, to recoverable amounts and recognized the reduced values as impairment losses. As for the assets to be disposed, the Companies reduced the book value to zero and recognized impairment loss in full.

Recoverable amounts of rental assets were measured at the higher of their values in use or their net realizable values in sale. Value in use was computed by discounting its future cash flows at 3.8%, while net realizable value in sale was determined based on publicly appraised value.

Recoverability of assets to be disposed was determined zero because these assets will be disposed due to office relocation.

9. Bad Debts

Bad debts are claims as stipulated under Article 32, Paragraph 1, and Item 10 of the Regulation concerning Financial Statements. Bad debt at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Claims in bankruptcy	**5**	35	**67**
Claims in the process of bankruptcy	**1,110**	2,333	**13,505**
Bad debts	**1,241**	1,609	**15,095**
Others	**482**	476	**5,858**
Total	**2,838**	4,453	**34,525**

10. Income Taxes

(a) Significant components of deferred tax assets and liabilities as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax assets:			
Loss carried forward for tax purposes	**38,586**	33,538	**469,470**
Impairment loss	**20,026**	21,414	**243,654**
Reserve for apartment vacancy loss	**7,163**	13,267	**87,152**
Advances from customers for rent income	**6,697**	11,329	**81,485**
Subsidiaries' foreign exchange loss	**3,825**	3,849	**46,544**
Retirement benefit reserves	**2,880**	3,204	**35,044**
Loss on devaluation of property, plant and equipment	**1,427**	1,630	**17,367**
Allowance for doubtful accounts	**947**	1,592	**11,526**
Deposits received	**687**	652	**8,356**
Loss on devaluation of real estate for sale	**434**	560	**5,280**
Bonuses payable	**395**	—	**4,811**
Sales promotion cost	**342**	581	**4,160**
Excess amortization on software	**249**	336	**3,032**
Reserve for fulfillment of guarantees	**139**	55	**1,695**
Excess depreciation	**139**	161	**1,693**
Asset retirement obligations	**116**	157	**1,410**
Other payables	**92**	181	**1,113**
Sales discount for construction contracts	**86**	120	**1,045**
Elimination of unrealized gain	**76**	82	**921**
Accrued enterprise tax	**48**	84	**587**
Reserve for switch to terrestrial digital broadcasts	**47**	484	**567**
Loss on devaluation of securities	**27**	642	**332**
Bad debt loss	**26**	34	**317**
Reserve for warranty obligations on completed project	**22**	54	**262**
Reserve for disaster losses	**19**	484	**235**
Low-value assets	**11**	8	**129**
Retirement benefit payable for directors	**—**	482	**—**
Others	**172**	130	**2,089**
Sub-total	**84,678**	95,110	**1,030,276**
Less: valuation allowance	**(78,122)**	(88,981)	**(950,504)**
Total deferred tax assets	**6,556**	6,129	**79,772**
Deferred tax liabilities:			
Net unrealized gain on other securities	**(136)**	(138)	**(1,656)**
Fixed asset retirement expenses	**(8)**	(9)	**(96)**
Total deferred tax liabilities	**(144)**	(147)	**(1,752)**
Net deferred tax assets	**6,412**	5,982	**78,020**

(b) Reconciliation of the differences between the normal effective statutory tax rate and the actual effective tax rate for the years ended March 31, 2012 and 2011 was not stated since the Company posted no taxable income and loss before income taxes, respectively.

(c) Impact of Change in the Corporate Tax Rate on Deferred Tax Assets and Liabilities

The "Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake" (Act No.117 of 2011) were promulgated on December 2, 2011 and beginning with consolidated fiscal years starting on April 1, 2012 or later, the corporate tax rate will be lowered and the Special Corporation Reconstruction Tax will be imposed. As a result, the effective statutory tax rate used in the calculation of deferred tax assets and deferred tax liabilities will be temporarily cut from

40.69% to 38.01% beginning with the consolidated fiscal year stared on April 1, 2012 through the consolidated fiscal year starting on April 1, 2014 and, beginning with the consolidated fiscal year starting on April 1, 2015, the effective statutory tax rate will be temporarily cut to 35.64%. As a result of these tax rate changes, net deferred tax assets will decline by ¥621 million ($7,550 thousand) while income tax-deferred will increase by ¥640 million ($7,785 thousand) and net unrealized gains on other securities will increase by ¥19 million ($235 thousand).

11. Short-term Borrowings and Long-term Debt

(a) Short-term borrowings, long-term debt and lease obligations at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Short-term borrowings, with average interest rate of 2.73%	**38,904**	22,691	**473,344**
Current portion of long-term debt, with average interest rate of 2.18%	**6,801**	11,811	**82,746**
Current portion of lease obligations, with average interest rate of 5.13%	**1,348**	1,230	**16,406**
Long-term debt	**—**	2,228	**—**
Lease obligations, long-term, due 2013 to 2018, with average interest rate of 6.87%	**2,001**	2,739	**24,346**
Total	**49,054**	40,699	**596,842**

(Notes)

1. To calculate "average interest rate," weighted-average rates and fiscal year-end balances are used.
2. The redemption schedule of long-term loans payable and lease obligations (excluding current portion) for 5 years subsequent to March 31, 2012, is summarized in (b) below.

(b) Scheduled repayment amount of bonds payable and lease obligations subsequent to fiscal year end was as follows:

Schedule of bonds

Millions of yen				
Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
560	**560**	**560**	**560**	**360**

Thousands of U.S. dollars				
Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
6,813	**6,813**	**6,813**	**6,813**	**4,380**

Schedule of loans

	Millions of yen			
	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Lease obligation	1,047	530	321	90

	Thousands of U.S. dollars			
	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Lease obligation	12,733	6,448	3,909	1,091

(c) Assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Real estate for sale in process	**—**	20	**—**
Buildings and structures	**54,348**	58,351	**661,248**
Land	**81,585**	84,334	**992,642**
Investment securities	**879**	936	**10,697**
Others in Investments and other assets (Membership right)	**420**	420	**5,110**
Total	**137,232**	144,061	**1,669,697**

(d) Secured borrowings with pledge of collateral at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Short-term borrowings	**36,654**	20,066	**445,969**
Current portion of long-term debt	**6,801**	11,811	**82,746**
Long-term debt	**—**	2,228	**—**
Total	**43,455**	34,105	**528,715**

(e) Investment securities which have been deposited with the Legal Affairs Bureau at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deposit for operation stipulated in Building Lots and Buildings Transaction Business Act	**30**	25	**367**
Deposit for housing construction warranty	**695**	615	**8,462**
Deposit for housing defect warranty	**104**	100	**1,260**
Advanced payment certificate in accordance with Payment and Settlement Regulations	**731**	238	**8,896**

12. Commitment Line

For efficient procurement of working capital, the Company maintains commitment line contracts with two financial institutions. As of the end of the current fiscal year, the unexercised portion of facilities based on the contract was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Total commitment available	**16,500**	16,500	**200,754**
Less amount utilized	**16,500**	16,500	**200,754**
Balance available	**—**	—	**—**

13. Retirement Benefit Plans

(a) The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2012 and 2011 for the Companies' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Projected benefit obligation	**(8,359)**	(7,538)	**(101,703)**
Unrecognized prior service cost	**55**	79	**666**
Unrecognized actuarial gain or loss	**263**	(415)	**3,202**
Retirement benefit reserves	**(8,041)**	(7,874)	**(97,835)**

Certain consolidated subsidiaries apply simplified methods in calculating their projected benefit obligations.

(b) The following table sets forth the funded and accrued status of the entire pension plan as of March 31, 2011 and 2010.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Pension assets	**43,449**	43,851	**528,637**
Projected benefit obligation	**51,538**	50,814	**627,060**
Difference	**(8,089)**	(6,963)	**(98,423)**

For the years ended March 31, 2012 and 2011, the main components of the difference were unrecognized prior service costs of ¥1,491 million ($18,137 thousand) and ¥1,871 million, and insufficient amount carried forward of ¥6,599 million ($80,286 thousand) and ¥5,092 million, respectively. The Company recognized the special annuity premium of ¥86 million ($1,046 thousand) and ¥103 million as an expense in the years ended March 31, 2012 and 2011, respectively. The ¥6,599 million ($80,286 thousand) of insufficient amount carried forward will be settled by increasing the rate of special annuity premium based on fiscal recalculation.

The annuity premium contributory proportion of the entire pension plan was 32% and 36% as of March 31, 2012 and 2011, respectively.

The Company has a welfare pension fund. In the welfare pension fund, it cannot reasonably calculate the portion of the pension assets attributed to the Company.

(c) The components of retirement benefit expenses for the years ended March 31, 2012 and 2011 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Service cost	**2,043**	2,525	**24,860**
Interest cost	**165**	170	**2,009**
Amortization of actuarial gain or loss	**(18)**	132	**(224)**
Amortization of prior service cost	**24**	24	**295**
Total	**2,214**	2,851	**26,940**

(Notes) 1. For the years ended March 31, 2012 and 2011, contributions to the welfare pension fund, which were recorded in service cost, were ¥1,130 million ($13,753 thousand) and ¥1,375 million, including ¥447 million ($5,444 thousand) and ¥539 million of employee contribution, respectively.

2. All the retirement benefit expenses of the domestic consolidated subsidiaries adopting the simplified method were recorded in service cost.

(d) The assumptions used in accounting for the above plans are as follows:

Assumptions used in accounting for retirement benefits	2012	2011
Periodical allocation of estimated retirement benefit	Same as right	Straight-line method
Discount rate	0.83%	2.20%
Amortization period of prior service cost	Same as right.	5 years (Amortized evenly over a period not exceeding the expected average remaining working lives of the employee from the time of occurrence.)
Amortization period of actuarial gain or loss	Same as right.	5 years from the following fiscal year (Amortized evenly over a period not exceeding the expected average remaining working lives of the employee from the time of occurrence.)

Based on the resolution of eliminating retirement benefit plans and its payment to directors, approved in the 36th Annual General Shareholders' Meeting held on June 29, 2009, an expected amount of ¥1,185 million was recorded as long-term other payable. Since the consent to give up the retirement benefit was obtained from the eligible directors, a reversal of long-term other payable was approved by the Board of Directors on May 6, 2011.

14. Gain on Sale of Property, Plant and Equipment

Gain on sale of property, plant and equipment for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Buildings and structures	**1**	45	**13**
Land	**0**	2,000	**1**
Others	**—**	1	**—**
Total	**1**	2,046	**14**

15. Loss on Sale of Property, Plant and Equipment

Loss on sale of property, plant and equipment for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Buildings and structures	**0**	2	**0**
Others	**—**	13	**—**
Total	**0**	15	**0**

16. Loss on Disposal of Property, Plant and Equipment

Loss on disposal of property, plant and equipment for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Buildings and structures	**88**	89	**1,072**
Leased assets	**—**	0	**—**
Others	**22**	12	**271**
Intangible assets	**1**	—	**7**
Total	**111**	101	**1,350**

17. Rental Properties

The Company possesses rental apartments in major cities and regions throughout Japan. Also, Leopalace Guam Corporation as a subsidiary company possesses rental housing within resorts, and Plaza Guarantee Co., Ltd. as a subsidiary company possesses buildings for rent. For the years ended March 31, 2012 and 2011, income arising from these rental properties were ¥4,122 million ($50,146 thousand) and ¥4,764 million, and impairment losses were ¥2,607 million ($31,725 thousand) and ¥2,188 million, respectively.

Also, the changes in book value of rental properties during the year ended March 31, 2012 and 2011, and the fair value as of March 31, 2012 and 2011 were as follows:

March 31, 2012

Millions of yen			
Book Value			Fair Value
Balance as of April 1, 2011	Increase/Decrease	Balance as of March 31, 2012	
73,051	**(3,788)**	**69,263**	**65,251**

March 31, 2011

Millions of yen			
Book Value			Fair Value
Balance as of April 1, 2010	Increase/Decrease	Balance as of March 31, 2011	
85,082	(12,031)	73,051	75,982

March 31, 2012

Thousands of U.S. dollars			
Book Value			Fair Value
Balance as of April 1, 2011	Increase/Decrease	Balance as of March 31, 2012	
888,801	**(46,083)**	**842,718**	**793,908**

(Notes)

1. Book value recorded on the consolidated balance sheets is the amount after deducting accumulated depreciation and accumulated impairment loss from acquisition cost.
2. The main decrease was impairment loss of ¥2,607 million ($31,725 thousand) for the year ended March 31, 2012, and impairment loss of ¥2,188 million and sale of property, plant and equipment of ¥8,872 million for the year ended March 31, 2011.
3. Fair value as of the end of the current fiscal year is calculated by the Company mainly based on "Real-estate appraisal standards."

18. Asset Retirement Obligations

Out of asset retirement obligations, item recorded on the consolidated balance sheet were as follows:

(1) Outline of the asset retirement obligations

Asset retirement obligations are restoration obligations under real estate rental agreement for shop and term leasehold interest agreement for rental properties and asbestos removal expenses in company-owned apartments.

(2) Calculation method of the asset retirement obligations

For the restoration obligations under real estate rental agreement for shop, the estimated period of use at 5 years from its acquisition and the discount rate at 0.295% to 1.358% are used to calculate the amount of the asset retirement obligations.

For the restoration obligations under term leasehold interest agreement for rental properties, the estimated period of use at 11-30 years depending on the period of the agreements (useful lives of buildings according to the former Act on Land and Building Lease) and the discount rate at 1.329% to 2.301% are used to calculate the amount of the asset retirement obligations.

For asbestos removal expenses in company-owned apartments, the estimated period of removal at 3 years and the discount rate at 0.193% are used to calculate the amount of the asset retirement obligations.

(3) Changes in the total amount of the asset retirement obligations during the year were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Balance at beginning of year	**78**	101	**951**
Increase due to acquisition of tangible fixed assets	**4**	5	**44**
Adjustments due to the passage of time	**1**	1	**10**
Decrease due to fulfillment of asset retirement obligations	**(6)**	(29)	**(70)**
Others	**1**	(0)	**14**
Balance at end of year	**78**	78	**949**

19. Supplemental Information on the Statement of Changes in Equity

Shares issued and treasury stocks for the year ended March 31, 2012 were as follows:

Type of shares	April 1, 2011	Increase	Decrease	March 31, 2012
Shares issued				
Common stock	175,443,915	—	—	175,443,915
Total	175,443,915	—	—	175,443,915
Treasury stock				
Common stock	6,867,850	170	677,500	6,190,520
Total	6,867,850	170	677,500	6,190,520

(Notes) 1. Breakdown of amounts of increase was as follows:
Purchase of shares of less than one unit 170 shares
2. Breakdown of amounts of decrease was as follows:
Sell off of shares from "Leopalace 21 Employee Stock Ownership Committee Trust Account" to the Board for Employees' Ownership 677,500 shares
3. Number of treasury stock includes 1,621,400 shares held by the Trust Account as of the end of this fiscal year.

Stock acquisition rights (SAR) and own share options for the year ended March 31, 2012 were as follows:

Type	Class of shares issued upon exercise of SARs	Number of shares issued upon exercise of SARs				Outstanding as of March 31, 2012	
		April 1, 2011	Increase	Decrease	March 31, 2012	Millions of yen	Thousands of U.S. dollars
SARs as stock option	—	—	—	—	—	18	219
1st series SARs	Common stock	—	14,000,000	—	14,000,000	3	38
2nd series SARs	Common stock	—	14,000,000	—	14,000,000	3	36
3rd series SARs	Common stock	—	14,000,000	—	14,000,000	3	35
Total	—	—	42,000,000	—	42,000,000	27	328

(Note) The increase of 1st to 3rd series SARs is due to the issue of SARs.

Shares issued and treasury stocks for the year ended March 31, 2011 were as follows:

Type of shares	April 1, 2010	Increase	Decrease	March 31, 2011
Shares issued				
Common stock	159,543,915	15,900,000	—	175,443,915
Total	159,543,915	15,900,000	—	175,443,915
Treasury stock				
Common stock	7,667,387	63	799,600	6,867,850
Total	7,667,387	63	799,600	6,867,850

(Notes) 1. Breakdown of amounts of increase was as follows:
New shares issued through third-party allotment 15,900,000 shares
Purchase of shares of less than one unit 63 shares
2. Breakdown of amounts of decrease was as follows:
Sell off of shares from "Leopalace 21 Employee Stock Ownership Committee Trust Account" to the Board for Employees' Ownership 799,600 shares
3. Number of treasury stock includes 2,298,900 shares held by the Trust Account as of the end of this fiscal year.

Stock acquisition rights (SAR) and own share options for the year ended March 31, 2011 were as follows:

Type	Class of shares issued upon exercise of SARs	Number of shares issued upon exercise of SARs				Outstanding as of March 31, 2011
		April 1, 2010	Increase	Decrease	March 31, 2011	Millions of yen
SARs as stock option	—	—	—	—	—	16
Total	—	—	—	—	—	16

20. Leases

(1) Finance lease transactions

The Companies primarily lease furniture and electronic appliances, for apartments of their leasing business, and software.

(a) The following pro forma amounts represent the acquisition cost, accumulated depreciation and net book value of leased property as of March 31, 2012 and 2011, which would have been reflected in the accompanying consolidated balance sheets if finance accounting had been applied to the finance leases that existed on or before March 31, 2008 and are currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Acquisition cost			
Vehicle	**7**	7	**87**
Equipment	**9,707**	13,352	**118,102**
Accumulated depreciation			
Vehicle	**7**	5	**81**
Equipment	**8,222**	9,965	**100,031**
Net book value			
Vehicle	**1**	2	**7**
Equipment	**1,485**	3,387	**18,071**

(b) The amounts of outstanding future lease payments under finance lease subsequent to March 31, 2012 and 2011 including the interest portion thereon were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Due within one year	**1,307**	2,056	**15,906**
Due after one year	**355**	1,665	**4,315**
Total	**1,662**	3,721	**20,221**

(c) Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2012 and 2011 for finance lease transactions accounted for as operating leases were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Lease payment	**2,179**	2,759	**26,507**
Estimated amount of depreciation by the straight-line method over the lease period	**1,900**	2,418	**23,115**
Estimated interest cost by the interest method	**123**	230	**1,494**

(d) Method of estimating amount of depreciation:
Amounts corresponding to pro forma depreciation under finance leases were computed by the straight-line method in which the lease period is used as the useful lives and it is assumed that the residual value of the relevant assets falls to nil at the end of the lease period.

(e) Method of estimating interest cost:
Estimated interest cost is calculated as the difference between the total amount of lease payments and the acquisition cost of leased properties, and allocated between each period using the interest method.

(2) Operating lease transactions

Future minimum lease payments related to non-cancelable operating leases subsequent to March 31, 2012 and 2011 were as follows:

March 31, 2012

	Millions of yen			Thousands of U.S. dollars		
	Future lease payments	Prepaid lease payments	Differences	Future lease payments	Prepaid lease payments	Differences
Due within one year	**268,014**	**17,077**	**250,937**	**3,260,908**	**207,777**	**3,053,131**
	(268,014)	**(17,077)**	**(250,937)**	**(3,260,904)**	**(207,777)**	**(3,053,127)**
Due after one year	**851,582**	**17,748**	**833,834**	**10,361,135**	**215,935**	**10,145,200**
	(851,582)	**(17,748)**	**(833,834)**	**(10,361,135)**	**(215,935)**	**(10,145,200)**
Total	**1,119,596**	**34,825**	**1,084,771**	**13,622,043**	**423,712**	**13,198,331**
	(1,119,596)	**(34,825)**	**(1,084,771)**	**(13,622,039)**	**(423,712)**	**(13,198,327)**

March 31, 2011

	Millions of yen		
	Future lease payments	Prepaid lease payments	Differences
Due within one year	284,838	21,959	262,879
	(284,827)	(21,959)	(262,868)
Due after one year	1,035,629	33,482	1,002,147
	(1,035,629)	(33,482)	(1,002,147)
Total	1,320,467	55,441	1,265,026
	(1,320,456)	(55,441)	(1,265,015)

Future operating lease payments fixed under master lease agreements in leasing business are shown in parentheses.

21. Contingent Liabilities

Contingent liabilities as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Contingent liabilities to financial institutions for customers who have a home mortgage	**1,470**	1,615	**17,882**
Contingent liabilities to financial institutions for customers who have a membership loan	**22**	22	**267**
Contingent liabilities to suppliers of affiliated company (Toyo Miyama Kogyo Co., Ltd.)	**213**	—	**2,590**
Total	**1,705**	1,637	**20,739**

22. Segment Information

(1) Overview of Reportable Segments

The Companies' reportable segments are the components for which separate financial information is available, and whose operating results are reviewed regularly by the board of directors in order to determine allocation of resources and assess segment performance.

The Companies have four reportable segments, the Leasing Business, Construction Business, Hotels & Resort Business and Elderly Care Business.

The Leasing Business operations comprise the leasing and management of apartment buildings and other properties, repair work, broadband internet service, rent guarantee, and the company residence agency business. The Construction Business constructs apartments and other buildings on a contract basis. The Hotels & Resort Business operates hotels and resort facilities, and sells resort memberships. The Elderly Care Business operates elderly care facilities.

From the year ended March 31, 2012, the Elderly Care Business was isolated from the Others in consideration of its significance. The Residential Sales Business has been incorporated in the Others, due to the decrease in importance from operation reductions.

(2) Calculation Method for Sales, Profits and Losses, Assets, and other Items by Reportable Segment

The accounting methods for reportable segments are basically the same as that presented in "Summary of Significant Accounting Policies." The reportable segment profits (losses) represent operating income (loss). Inter-segment sales and transfers are based on prevailing market prices.

(3) Information Regarding Sales, Profits and Losses, Assets, and other Items by Reportable Segment for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen								
	Reportable segment								
March 31, 2012	Leasing Business	Construction Business	Hotels & Resort Business	Elderly Care Business	Segment Total	Others	Total	Adjustments	Consolidated Total
Sales									
Sales to customers	**380,308**	**62,914**	**6,228**	**8,845**	**458,295**	**1,142**	**459,437**	**—**	**459,437**
Inter-segment sales and transfers	**427**	**—**	**1,218**	**—**	**1,645**	**60**	**1,705**	**(1,705)**	**—**
Total	**380,735**	**62,914**	**7,446**	**8,845**	**459,940**	**1,202**	**461,142**	**(1,705)**	**459,437**
Segment profit (loss)	**5,249**	**4,309**	**(1,664)**	**(855)**	**7,039**	**(37)**	**7,002**	**(2,416)**	**4,586**
Segment assets	**131,747**	**16,130**	**42,096**	**2,299**	**192,272**	**4,371**	**196,643**	**68,140**	**264,783**
Other items									
Depreciation	**2,661**	**251**	**1,804**	**67**	**4,783**	**47**	**4,830**	**1,217**	**6,047**
Increase in property, plant, and equipment, and intangible assets	**755**	**9**	**381**	**1**	**1,146**	**44**	**1,190**	**294**	**1,484**

(Notes) 1. The "Others" classification is the business segment not included in reportable segments, and comprises the small-claims and short-term insurance business, financing business, and residential sales business.

2. Breakdown of adjustments was as follows:

Segment profit (loss)

	Millions of yen	Thousands of U.S. dollars
Inter-segment eliminations	**20**	**243**
Corporate expenses*	**(2,436)**	**(29,634)**
Total	**(2,416)**	**(29,391)**

*Corporate expenses consist mainly of general administrative expenses for administrative departments that are not part of reportable segments.

Adjustments in segment assets (¥68,141 million, $829,063 thousand) consist mainly of surplus operating funds, long-term investment capital, and assets which do not belong to reportable segments.

Adjustments in the increase of property, plant, and equipment, and intangible assets (¥294 million, $3,574 thousand) consist of capital investments which do not belong to reportable segments.

3. Segment profit (loss) is adjusted to operating profit on the consolidated statements of operations.

	Millions of yen								
	Reportable segment								
March 31, 2011	Leasing Business	Construction Business	Hotels & Resort Business	Elderly Care Business	Segment Total	Others	Total	Adjustments	Consolidated Total
Sales									
Sales to customers	356,606	107,821	6,492	7,786	478,705	5,686	484,391	—	484,391
Inter-segment sales and transfers	451	—	1,696	—	2,147	36	2,183	(2,183)	—
Total	357,057	107,821	8,188	7,786	480,852	5,722	486,574	(2,183)	484,391
Segment profit (loss)	(30,094)	11,971	(1,975)	(1,510)	(21,608)	288	(21,320)	(2,287)	(23,607)
Segment assets	156,272	22,069	45,728	2,297	226,366	5,413	231,779	66,495	298,274
Other items									
Depreciation	2,670	423	1,919	71	5,083	38	5,121	1,330	6,451
Increase in property, plant, and equipment, and intangible assets	385	95	405	15	900	46	946	2,636	3,582

(Notes) 1. The "Others" classification is the business segment not included in reportable segments, and comprises the small-claims and short-term insurance business, financing business, and residential sales business.

2. Breakdown of adjustments was as follows:

Segment profit (loss)

	Millions of yen
Inter-segment eliminations	**46**
Corporate expenses*	**(2,333)**
Total	**(2,287)**

*Corporate expenses consist mainly of general administrative expenses for administrative departments that are not part of reportable segments.

Adjustments in segment assets (¥66,495 million) consist mainly of surplus operating funds, long-term investment capital, and assets which do not belong to reportable segments.

Adjustments in the increase of property, plant, and equipment, and intangible assets (¥2,636 million) consist of capital investments which do not belong to reportable segments.

3. Segment profit (loss) is adjusted to operating loss on the consolidated statements of operations.

March 31, 2012	Thousands of U.S. dollars								
	Reportable segment								
	Leasing Business	Construction Business	Hotels & Resort Business	Elderly Care Business	Segment Total	Others	Total	Adjustments	Consolidated Total
Sales									
Sales to customers	**4,627,179**	**765,464**	**75,779**	**107,617**	**5,576,039**	**13,896**	**5,589,935**	**—**	**5,589,935**
Inter-segment sales and transfers	**5,201**	**—**	**14,814**	**—**	**20,015**	**730**	**20,745**	**(20,745)**	**—**
Total	**4,632,380**	**765,464**	**90,593**	**107,617**	**5,596,054**	**14,626**	**5,610,680**	**(20,745)**	**5,589,935**
Segment profit (loss)	**63,860**	**52,430**	**(20,240)**	**(10,404)**	**85,646**	**(458)**	**85,188**	**(29,391)**	**55,797**
Segment assets	**1,602,952**	**196,252**	**512,176**	**27,980**	**2,339,360**	**53,177**	**2,392,537**	**829,064**	**3,221,601**
Other items									
Depreciation	**32,378**	**3,052**	**21,947**	**810**	**58,187**	**574**	**58,761**	**14,811**	**73,572**
Increase in property, plant, and equipment, and intangible assets	**9,188**	**101**	**4,639**	**12**	**13,940**	**538**	**14,478**	**3,574**	**18,052**

Related information

1. Products and services

Information concerning products and services has been omitted, since similar information is reported in "22. Segment Information."

2. Geographic area

(1) Sales

Information concerning sales by geographic area has been omitted, since more than 90% of sales reported in the consolidated statement of operations are generated in Japan.

(2) Plant, property, and equipment

March 31, 2012

Millions of yen			
Japan	Trust territory of U.S.A. Guam	People's Republic of China	Total
112,203	**29,804**	**6**	**142,013**

March 31, 2011

Millions of yen			
Japan	Trust territory of U.S.A. Guam	People's Republic of China	Total
118,084	32,191	10	150,285

March 31, 2012

Thousands of U.S. dollars			
Japan	Trust territory of U.S.A. Guam	People's Republic of China	Total
1,365,168	**362,620**	**76**	**1,727,864**

3. Major customers

Information concerning sales to major customers has been omitted, since sales to any particular customer does not exceed 10% of sales reported in the consolidated statement of operations.

Information concerning impairment loss on fixed assets by reportable segments

March 31, 2012

	Millions of yen						
	Leasing Business	Construction Business	Hotels & Resort Business	Elderly Care Business	Others	Adjustments	Consolidated Total
Impairment loss	**2,607**	**—**	**—**	**—**	**4**	**—**	**2,611**

March 31, 2011

	Millions of yen						
	Leasing Business	Construction Business	Hotels & Resort Business	Elderly Care Business	Others	Adjustments	Consolidated Total
Impairment loss	2,090	—	40	—	—	98	2,228

March 31, 2012

	Thousands of U.S. dollars						
	Leasing Business	Construction Business	Hotels & Resort Business	Elderly Care Business	Others	Adjustments	Consolidated Total
Impairment loss	**31,725**	**—**	**—**	**—**	**39**	**—**	**31,764**

Information concerning goodwill amortization and unamortized balance by reportable segments

For the years ended March 31, 2012 and 2011

Not applicable.

Information concerning gain on negative goodwill by reportable segments

For the years ended March 31, 2012 and 2011

Not applicable.

23. Amounts per Share

(a) The following tables set forth the net assets and net income (loss) per share of common stock for the years ended March 31, 2012 and 2011.

	Yen		U.S. dollars
	2012	2011	**2012**
Net assets	**199.73**	195.91	**2.43**
Net income (loss)			
Basic	**9.40**	(261.03)	**0.11**
Diluted	**9.40**	—	**0.11**

Diluted net income per share for the year ended March 31, 2011 is not stated since the Company posted net loss per share.

(b) Basis of computation of basic and diluted net income (loss) per share for the years ended March 31, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Basic net income (loss) per share			
Net income (loss)	**1,589**	(40,890)	**19,333**
Amount not attributable to common stock	**—**	—	**—**
Net income (loss) attributable to common stock	**1,589**	(40,890)	**19,333**
Weighted-average shares during the year (Thousands of shares)	**168,996**	156,649	**168,996**

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Diluted net income per share			
Adjustment to net income	**—**	—	**—**
Increase in common stock (Thousands of shares)	**34**	—	**34**
(of which, stock acquisition rights, thousands of shares)	**(34)**	(—)	**(34)**
Dilutive securities that didn't have dilutive effects and therefore were not included in the calculation of diluted net income per share.	**New stock acquisition rights (28,000,650)**	New stock acquisition rights (710)	**New stock acquisition rights (28,000,650)**

The Company recognizes stocks held by "Leopalace 21 Employee Stock Ownership Committee Trust Account" (1,621,400 shares as of the end of the year ended March 31, 2012, and 2,298,900 shares as of the end of the year ended March 31, 2011) as the treasury stock. As a result, those numbers are eliminated in calculating "weighted-average number of common shares during the fiscal year."

24. Related Party Transactions

The following tables set forth related party transactions for the years ended March 31, 2012 and 2011.

For the year ended March 31, 2012

(a) Unconsolidated subsidiaries and affiliates

None

(b) Directors and major individual shareholders

Attribute	Name	Address	Capital stock		Business or position	Percentage of share ownership	Relation
			Millions of yen	Thousands of U.S. dollars			
Directors and close relatives	**Toshiko Miyoshi**	**—**	**—**	**—**	**—**	**—**	**Leasing of land and buildings**
	Takeshi Yoshioka	**—**	**—**	**—**	**—**	**—**	**Leasing of land and buildings**

Attribute	Name	Transaction	Transaction amount		Account	Balance	
			Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Directors and close relatives	**Toshiko Miyoshi**	**Leasing of apartments**	**26**	**317**	**Long-term prepaid expenses**	**14**	**168**
	Takeshi Yoshioka	**Leasing of apartments**	**10**	**127**	**—**	**—**	**—**

(Notes) 1. Consumption taxes were not included in amounts.

2. Conditions of transactions:

(a) Conditions of leasing of apartments are the same as transactions with third parties.

(b) Conditions of sale of land are the same as transactions with third parties.

3. Toshiko Miyoshi is a close relative of Tadahiro Miyama, Director of the Company.

4. Takeshi Yoshioka is a close relative of Yoshikazu Miike, Director of the Company.

For the year ended March 31, 2011

(a) Unconsolidated subsidiaries and affiliates

Attribute	Name	Address	Capital stock	Business or position	Percentage of share ownership	Relation
			Millions of yen			
Affiliate	Toyo Miyama Kogyo Co., Ltd.	Kisarazu City, Chiba	100	Production and sales of building materials	50.0%	Purchases of building materials and others

Attribute	Name	Transaction	Transaction amount	Account	Balance
			Millions of yen		Millions of yen
Affiliate	Toyo Miyama Kogyo Co., Ltd.	Purchases of building materials and others	13,254	Accounts payable for completed projects	1,232

(Notes) 1. Consumption taxes were not included in transaction amounts but included in balance.

2. Conditions of transactions:

(a) Conditions of purchases of building materials are the same as transactions with third parties.

(b) Directors and major individual shareholders

Attribute	Name	Address	Capital stock Millions of yen	Business or position	Percentage of share ownership	Relation
Directors and close relatives	Toshiko Miyoshi	—	—	—	—	Leasing of land and buildings
	Takeshi Yoshioka	—	—	—	—	Leasing of land and buildings
Company where major shareholders (individual) and close relatives have majority of voting rights	MDI	Nakano, Tokyo	100	Real estate business	—	Real estate brokerage

Attribute	Name	Transaction	Transaction amount	Account	Balance
			Millions of yen		
Directors and close relatives	Toshiko Miyoshi	Leasing of apartments	26	Long-term prepaid expenses	19
	Takeshi Yoshioka	Leasing of apartments	12	—	—
Company where major shareholders (individual) and close relatives have majority of voting rights	MDI	Brokerage of real estate held for sale	21	—	—

(Notes) 1. Consumption taxes were not included in amounts.
2. Conditions of transactions:
(a) Conditions of leasing of apartments are the same as transactions with third parties.
(b) Conditions of sale of land are the same as transactions with third parties.
3. Toshiko Miyoshi is a close relative of Tadahiro Miyama, Director of the Company.
4. Takeshi Yoshioka is a close relative of Yoshikazu Miike, Director of the Company.
5. MDI is a company where the major shareholder (Yusuke Miyama) of the Company and his close relative(s) have 100% of the voting rights. Yusuke Miyama is no longer one of the major individual shareholders after December 21, 2010.

25. Other

The following tables set forth quarterly information for the years ended March 31, 2012.

	Millions of yen			
(Cumulative period)	First quarter	Second quarter	Third quarter	Full-year
Net sales	**105,486**	**223,044**	**332,450**	**459,437**
Income (loss) before income taxes	**(3,744)**	**(5,112)**	**(1,530)**	**1,352**
Net income (loss)	**(3,799)**	**(5,203)**	**(2,061)**	**1,589**
Net income (loss) per share (yen)	**(22.51)**	**(30.82)**	**(12.20)**	**9.40**

(Accounting period)	First quarter	Second quarter	Third quarter	Full-year
Net income (loss) per share (yen)	**(22.51)**	**(8.31)**	**18.58**	**21.57**

	Thousands of U.S. dollars			
(Cumulative period)	First quarter	Second quarter	Third quarter	Full-year
Net sales	**1,283,444**	**2,713,761**	**4,044,902**	**5,589,935**
Income (loss) before income taxes	**(45,551)**	**(62,191)**	**(18,614)**	**16,455**
Net income (loss)	**(46,218)**	**(63,306)**	**(25,081)**	**19,333**
Net income (loss) per share (U.S. dollar)	**(0.27)**	**(0.37)**	**(0.15)**	**0.11**

(Accounting period)	First quarter	Second quarter	Third quarter	Full-year
Net income (loss) per share (U.S. dollar)	**(0.27)**	**(0.10)**	**0.23**	**0.26**

26. Subsequent Events

Not applicable.

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Independent Auditor's Report

Grant Thornton Taiyo ASG LLC

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To the Board of Directors of
LEOPALACE21 Corporation

We have audited the accompanying consolidated financial statements of LEOPALACE21 Corporation and consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012 and the consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of LEOPALACE21 Corporation and consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The United States dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for the convenience. Our audit also included the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Grant Thornton Taiyo ASG LLC

June 28, 2012
Tokyo, Japan

CORPORATE PROFILE

Corporate Data

(As of March 31, 2012)

Company Name:
Leopalace21 Corporation

Head Office:
2-54-11 Honcho, Nakano-ku, Tokyo
TEL: +81-3-5350-0001 (Main Line)

Established:
August 17, 1973

Paid-in Capital:
¥56,562.86 million

Operations:
Construction, leasing and sales of apartments, condominiums, and residential housing; development and operation of resort facilities; hotel business; broadband business; and elderly care business, etc.

Number of Employees:
6,165 (consolidated basis)
5,361 (non-consolidated basis)

Members of Board of Directors and Auditors

(As of June 30, 2012)

Directors

President and CEO	Eisei Miyama
Director	Tadahiro Miyama
Director	Hiroyuki Miyata
Director	Fumiaki Yamamoto
Director	Yuzuru Sekiya
Director	Yoshikazu Miike
Director	Kou Kimura
Director (Outside)	Tetsuji Taya

Auditors

Standing Auditor	Shinya Watanabe
Standing Auditor	Masumi Iwakabe
Auditor (Outside)	Koichi Fujiwara
Auditor (Outside)	Masahiko Nakamura

Major Shareholders (Top 10)

(As of March 31, 2012)

	Shareholders	Number of Shares	Percentage of Outstanding Shares
1	LIXIL Corporation	15,900,000	9.06%
2	State Street Bank and Trust Company 505019	12,245,600	6.97%
3	Stockholding Association for Leopalace21's Business Connection	6,934,700	3.95%
4	Goldman Sachs International	6,829,000	3.89%
5	Leopalace21 Corporation	4,569,120	2.60%
6	Bank of New York GCM Client Account JPRD ISG FEAC	4,425,800	2.52%
7	Credit Suisse Securities (Europe) Ltd. Main Account	4,313,034	2.45%
8	CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	3,861,887	2.20%
9	Morgan Stanley & Co. LLC	3,365,613	1.91%
10	Japan Trustee Services Bank, Ltd. (Trust Account)	3,262,500	1.85%

Stock Information

(As of March 31, 2012)

Number of Shares:
Authorized: 500,000,000
Outstanding: 175,443,915

Number of Shareholders:
35,585

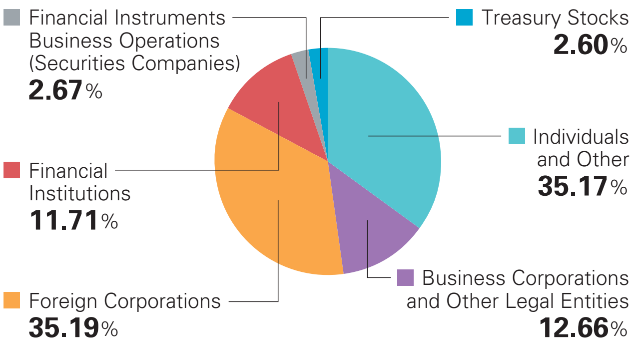
Listing:
First Section of the Tokyo Stock Exchange
(Security code: 8848)

Transfer Agent:
Mitsubishi UFJ Trust and Banking Corporation

Shareholder Composition

(As of March 31, 2012)

Breakdown by Number of Shares:



Number of Apartment Units under Management and Domestic Leasing Sales Offices by Areas (As of March 31, 2012)

Total Number of Units in Japan

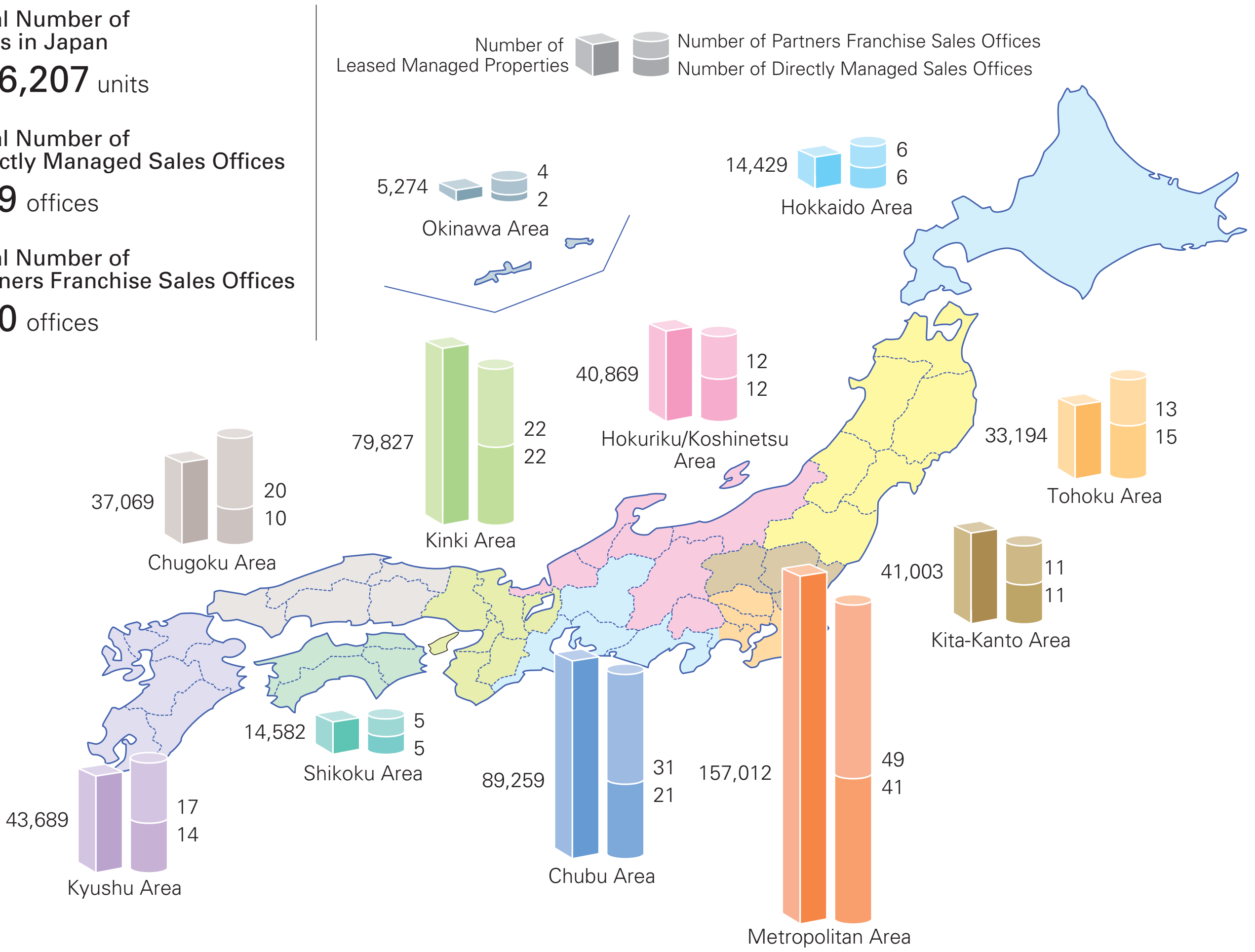
556,207 units

Total Number of Directly Managed Sales Offices

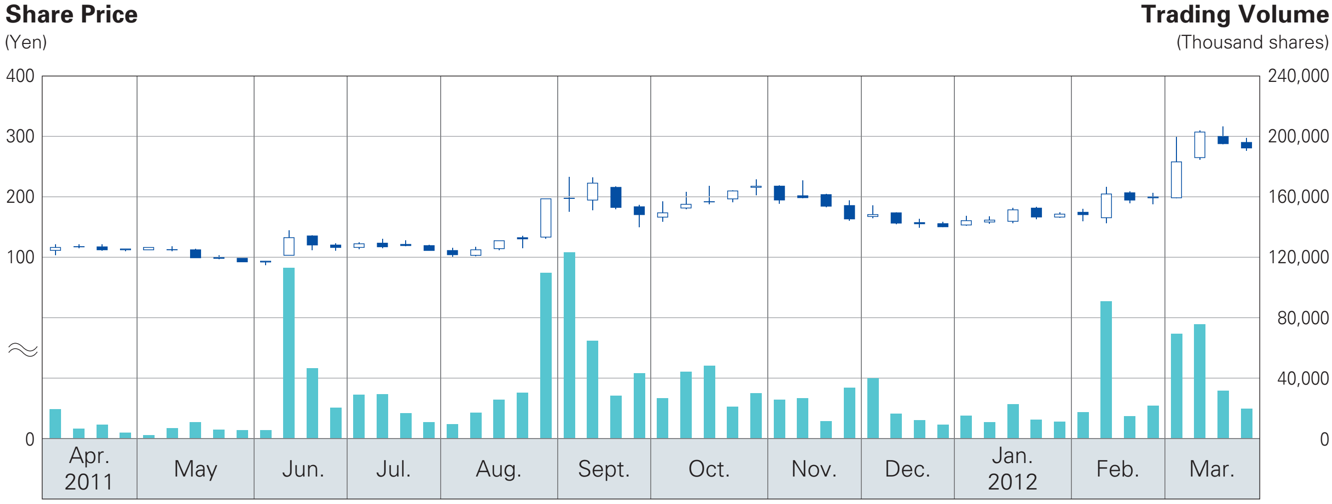
159 offices

Total Number of Partners Franchise Sales Offices

190 offices



Share Price and Trading Volume (As of March 31, 2012)



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